



Elmbridge
Borough Council
... bridging the communities ...

Statement of Accounts 2019/20 Narrative



Summary of Financial Performance in the year

In the financial year to 31 March 2020, the Council delivered its services within the approved budget of £17,667,600. This is in accordance with the Council's medium-term financial strategy, and robust financial management of the Council's services has enabled services to be provided within budget.

The Council's General Fund balance remains at £4 million as at 31 March 2020. The Council's financial health has continued to strengthen, and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term.

The short to medium term impact of the Covid-19 pandemic is uncertain, the impact of the United Kingdom leaving the European is also unknown. In addition, there remains a risk around both the timing and impact of the governments reviews of Business Rates Retention Scheme and the Fair Funding Review of how the government will allocate funding to Council.

The Council has recognised in strategic terms that the local authority needs to reduce its dependency on Government revenue funding when public funds are so highly constrained, through effective use of assets, increased income from property investments and retention of Business Rates, as the clear message from Central Government is that Councils should fund local services with locally raised revenues.

Financial Planning

The role of the Council's financial planning process is to support the achievement of the Council's Strategic Priorities and Corporate Plan. The main driver for the budget and savings options developed is the administration's desire to provide high quality services that are in line with Council priorities and residents needs at the least possible cost to Council Taxpayers.

The objectives of the Council's financial strategy are to:

- Prioritise resources to align spending plans with the Council's vision and strategic priorities
- Provide a robust framework to assist the decision-making process
- Maintain a balanced budget position, and to set a medium and long term financial plan maintaining and strengthening that position
- Continue to deliver value for money to our residents
- Exercise probity, prudence and strong financial control
- Manage risk, including strengthening reserves & levels of investment income
- Continually review budgets to ensure that resources are targeted on key priorities

Non-Financial Performance

A summary of the results of the 2019 Residents Survey are set out in the table below:

	2016 %	2018 %	2019 %
Residents agree that the Council provides Value for Money	73	67	72
Satisfaction with Individual Services			
Environmental Services (includes noise nuisance, food hygiene pest control, licensing and removal of graffiti)	76	64	76
Waste Collection, recycling, refuse and food collection	86	72	86
Street Cleaning	66	58	64
Planning Services	43	35	38
Community Support Services	33	30	34
Leisure and Cultural Services	64	50	62
Housing Services	17	15	17
Local Taxation	77	77	n/a
Overall Satisfaction with the way Elmbridge runs its services	86	71	80

In 2019 the Residents' Survey, was conducted to measure residents' views of the Council's performance. In 2019 telephone interviews of 401 residents were undertaken (261 responses were received to the survey in 2018).

Several factors are likely to have contributed towards the reduction in satisfaction in 2018. Although the small sample size in 2018 makes it difficult to draw conclusions about the results, it has been acknowledged that issues in respect of the new waste contract, unauthorised encampments, street cleaning and seasonal displays played a part in resident satisfaction. Action was already in progress on several of the issues raised in the 2018 survey including obtaining a final injunction order, which prohibits the setting up of unauthorised encampments and fly-tipping in all identified public land.

There was an overall improvement in the levels of satisfaction in 2019 although the responses suggested that value for money perceptions and overall satisfaction were affected by a confusion among some residents of the division of responsibilities between the borough council, county council and police.

Details of the Residents Survey is available on request.

In addition to the resident survey the Cabinet in June 2020 considered an overview of performance of the Council for 2019/20. Of the agreed performance indicators for 2019/20 84% were currently on or above target.

Budget and Actual Expenditure 2019/20

Budget proposals for 2019/20 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2018 and February 2019, with the final budget being approved in February 2019.

The Council's approach to setting the budget involved detailed consideration of financial risk, so that this can be factored into budget decisions.

The 2019/20 Budget incorporated savings and reductions of £0.7 million. The main components of the budget for 2019/20, and how they compare with actual income and expenditure for the year are:

Portfolio	2018/19	2019/20			
	Actual £'000	Original Budget £'000	Actual £'000	Variance to Original Budget £'000	%
Community Development	338	328	308	(20)	(6)
Corporate Development	2,691	2,617	2,505	(112)	(4)
Environment and Economy	5,519	5,732	5,583	(149)	(3)
Highways and Transport	(2,385)	(1,423)	(1,160)	263	18
Housing	2,366	2,666	3,045	379	14
Leisure and Culture	5,405	5,212	5,490	278	5
Licensing	208	260	218	(42)	(16)
Resources	2,642	3,515	1,698	(1,817)	(52)
Social	3,062	3,464	3,292	(172)	(5)
Planning	2,902	2,390	2,224	(166)	(7)
	22,748	24,761	23,203	(1,558)	(6)
Depreciation Reversal	(3,680)	(4,578)	(4,578)	-	-
Interest on Balances	(1,062)	(1,000)	(1,175)	(175)	18
Contribution To/(from) Interest Equalisation Reserve	162	-	175	175	-
Investment Properties	(3,386)	(3,850)	(3,530)	320	8
Transfer from Council Tax Freeze Grant Reserve	(157)	(157)	(157)	-	-
New Homes Bonus	(1,126)	(958)	(958)	-	-
Contribution to New Homes Bonus / Property Acquisition Reserve	960	844	844	-	-
To / (from) Earmarked Reserves	45	(166)	1,069	1,235	744
Capital Financing	2,301	2,772	2,775	3	0
	16,805	17,668	17,668	0	

An analysis of the £0.32 million overspend (this represents approximately 1.8% of Council's gross budget), which was drawn down from the Business Rates Reserve, is as follows:

	£'000
Operating Expenses (including employee related costs)	(1,068)
Operating Income	536
Housing Benefits (Subsidy, Overpayments and Increases in Bad Debts Provision)	586
Investment Property Income (net of void provision)	230
Increase in Provision for Bad Debts due to Covid19	36
Use of Business Rates Earmarked Reserve to fund overspend	320

Budgets are monitored on the following basis:

- i. Monthly - Departmental monitoring of all income and expenditure and a summary of pre-determined major budgets (particularly income streams) is reported to Council Management Board (CMB).
- ii. First and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.
- iii. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.
- iv. Year end – The final accounts are produced.

Where major adverse variances are found, corrective action is taken to rectify the position during the year.

Accounts for 2019/20

The Statement of Accounts

The purpose of the Statement of Accounts is to give residents of Elmbridge, electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (The Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain English.

The Council's Statement of Accounts for the year 2019/20 includes:

The Statement of Responsibilities

This outlines the responsibilities of the Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts. It also carries the certification of the Chief Finance Officer (S151 Officer).

The Audit Opinion and Certificate

This is provided by Grant Thornton following the completion of the annual audit in the following financial year.

Annual Governance Statement (AGS)

The AGS is not part of the accounts but shown alongside them. The statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed, including arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

The Statement of Accounting Policies

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

Core Financial Statements

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific items of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance Account for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. In order to aid clarity, the Council had an element of the general reserve earmarked for specific uses, these have now been established as Earmarked Reserves.

The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £'000	Balance Sheet Summary	31 March 2020 £'000
229,787	Long Term Assets	212,788
63,630	Current Assets	89,012
(21,032)	Current Liabilities	(24,948)
(125,386)	Long Term Liabilities	(120,078)
146,999	Net Assets	156,774
	<u>Usable Reserves</u>	
4,000	General Fund	4,000
21,209	Earmarked Reserves	21,967
9,045	Community Infrastructure Levy (CIL)	13,047
20,450	Capital Receipts Reserve	17,828
17,519	Capital Grants Unapplied	18,533
72,223	Total Usable Reserves	75,375
74,776	Unusable Reserves	81,399
146,999	Total Reserves (Net Worth)	156,774

The Council's working capital ratio has increased (current assets / current liabilities) at 31 March 2020 to 3.6 (2.9 at 31 March 2019). The working capital provides an indication of the Council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation. An organisation would normally anticipate a ratio higher than 1.0. The main reason for the increase is the increase in Short Term Investments and Cash (£28m) which has been invested for shorter periods than in 2018/19.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the Core Financial Statements

These provide supporting and explanatory information on the Core Financial Statements.

The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of Elmbridge as the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates.

Having been in Business Rates Retention Scheme pooling or pilot arrangements with other Councils in 2017/18 and 2018/19, the Council operated as a single entity in 2019/20.

Material Assets and Liabilities

As part of the contract to sell a surplus site at Stompond Lane the Council was committed to exercising a 'call and put option' within the Agreement to acquire a 500 square metre children's nursery to enable the shell and core of the building to be completed by the developer. During 2019/20, the Council purchased the nursery at a cost of £1.78m including stamp duty and other fees and costs.

Pensions

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £63.0 million, which reduces the total reserves of the Council by 29%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements, affecting the Council Taxpayer, for 2019/20.

Borrowing and Cash Flow

The Council has £55.8 million of borrowing outstanding at 31 March 2020 (£56.9 million – 31 March 2019) from the Public Works Loan Board (PWLB), with £1.1 million being repaid during 2019/20. No new borrowing was undertaken.

The Council has sufficient resources to fund its Capital programme but may decide to borrow based on interest rates and regulations. The Council is not allowed to borrow to fund revenue expenditure but has a balanced budget with its expenditure being financed from fees and charges, rental income from property holdings, government grants and Council Tax, although the grant from Central Government (Business Rates) is expected to significantly reduce over the medium-term.

Capital Expenditure

During the year the following items of major capital works and purchases were undertaken:

2018/19 £'000		2019/20 £'000
1,365	Grant Expenditure - CIL / ECIF / Other	1,968
18,197	Investment Properties	1,781
207	Affordable Housing Grants / Loans	1,260
978	Other Public Building Acquisition and Enhancements	1,068
568	Private Sector Housing Grants	951
86	Sports Hub, Waterside Drive	585
1,526	Car Park Improvements	557
	- Weybridge Street Scape	225
282	IT Development/Investment	196
	- Claygate Pavilion	153
158	Vehicles	132
166	Community Transport / Centre Enhancements	69
486	Playground Refurbishments / Tennis Courts	52
129	Other	38
300	Brooklands Culvert	-
24,448	Total	9,035

The total capital receipts received in the year were £564,000.

The Council set its capital programme in February 2020 with spending plans being funded as follows:

	Total Funds Available at 31 March 2020 £'000	Budgeted Spend 2020/21 £'000
Capital Receipts	17,828	5,775
Capital Grants	18,533	7,489
Revenue Resources	2,712	2,712
Borrowing*	-	28,000
	39,073	43,976

*Borrowing is subject to suitable investment/asset development opportunities being identified.

Significant Provisions or Contingencies and Material Write-Offs

Except in relation to appeals against Business Rate Valuation, there have been no material provisions or write-offs made during the year. The revaluation exercise carried out for 1 April 2017 raised concerns in relation to outstanding appeals for the 2010 Valuation List for business rates. As a result, a specific provision was made for a number of large properties. In addition, a new process for challenging these values was introduced, which has increased the uncertainty relating to the appeals in 2017/18. However, during 2019/20 one of the significant outstanding appeals was settled and as a result the provision for these appeals has been reduced. Overall the provision has remained broadly the same as a result of the settlement of a court case in relations to ATM's and another year against which appeals can be backdated.

Economic Climate

In setting the 2019/20 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection and planning fees, as a result of this uncertainty and any impact from leaving the European Union. In February 2019 there was no indication of Covid-19 pandemic. The income received from fees and charges is very much dependent on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

Climate Change

The Council declared a climate change emergency in 2019, as a result work is currently under way to reduce the impact of the Councils activities on the environment. A detailed report will be presented to the Council in Autumn 2020.

The adequacy of balances and reserves to withstand future financial pressures

The Council maintains a level of General Fund balances to provide a measure of protection against risk. Without the protection provided by reserves, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels and redundancies).

The Revenue Risk Reserve together with the Interest Equalisation Reserve are used to mitigate revenue budget risks and interest rate risks facing the Council during the year such as shortfall in income or increase in expenditure.

The Council is determined to address the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

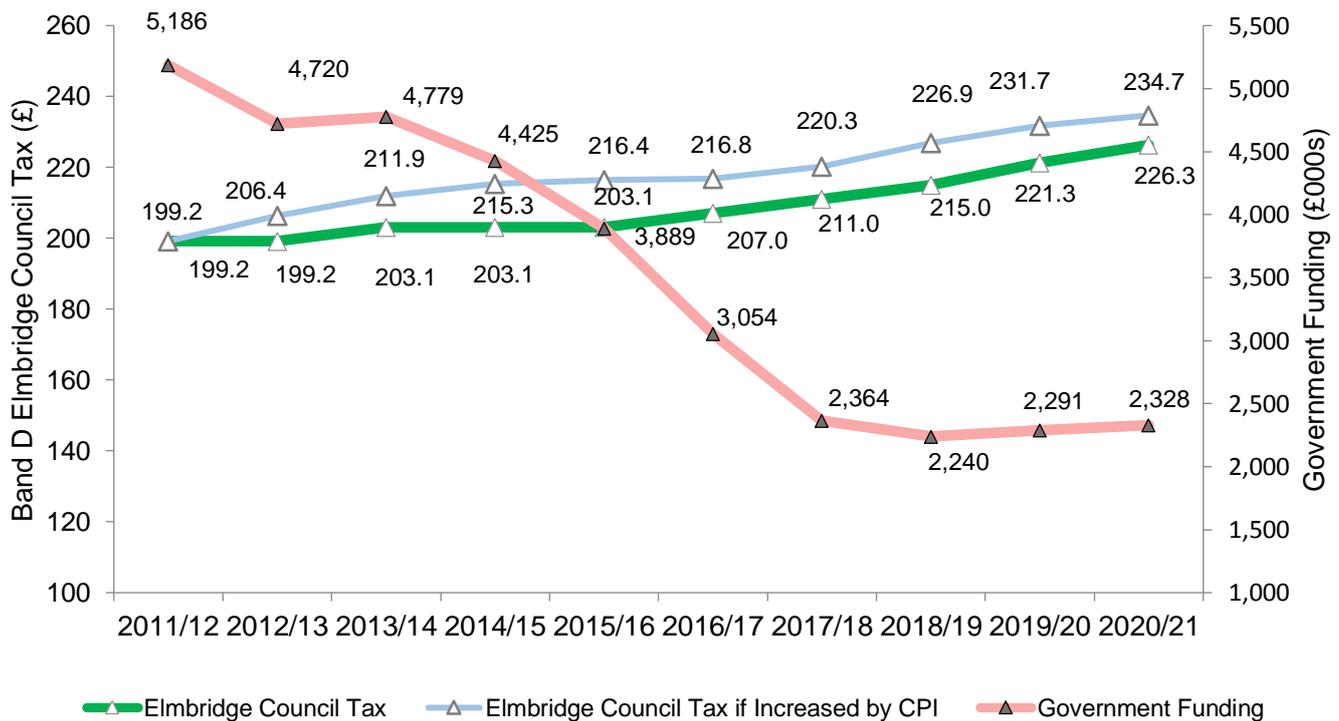
The forecast over the next two years is that in order to have a balanced budget the Council will need to find savings of approximately £5 million based on the Medium Term Financial Strategy approved by Council in February 2020 before the impact of Covid-19. The Council manages financial risk by maintaining adequate reserves to help ensure that the medium-term policy programme is sustainable, the 20/21 Budget includes the use of £1 million of reserves.

The impact of Covid-19 is far reaching and will no doubt have adverse financial implications for the Council. The Council will need to mitigate the impact with funding from central government, cautious use of reserves and organisational efficiencies. When reserves are utilised, plans will need to be put in place to replenish them.

A summary of the Medium-Term Financial Strategy is set out below:

	2020/21 Projection £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000
Net Budget Requirement to Provide Services Expenditure	18,105	19,476	20,831	22,081
Growth/Spending Pressures	1,404	455	465	450
Reduction in External Funding		140		
Inflation on Contracts and Pay	675	760	785	810
Approved Savings/Fees & Charges	(708)			
Total Budget Requirement	18,690	20,681	21,931	23,191
Available Funding (Council Tax, Government Grants and Reserves)	18,690	17,969	17,989	18,270
Cumulative Budget Gap	0	2,712	3,942	4,921
Annual Funding Gap	0	2,712	1,231	979

Central Government Funding and the Council Tax between 2011/12 and 2020/21



- the Council's Council Tax increase is 14% over 9 years;
- if increased by CPI, the Council Tax increase would be 18% over 9 years;
- Central Government Funding cuts are 55% by 2020/21;

Organisational Overview and External Environment

Our Five-Year Vision (2018-2023) has been developed from extensive consultation with a range of stakeholders:

“A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all.”

Our priorities support our Vision and are reviewed every year. For 2020/21 they are

Long term outcomes and priorities By 2023 we will have ...				
Character and Development	Quality Services	Economic Development	Community Wellbeing	Climate Change (New priority added in July 2019)
Protected and enhanced the borough’s high quality residential and business environment, its Green Belt and cherished open spaces	Ensured that Elmbridge is a good place to grow up and age well – based on excellent public and voluntary support services	Supported and fostered town centres to be vital and vibrant where retail is part of a mix of uses including services, cultural experiences entertainment and social interaction	Compassionate community services supported by volunteers and networks	Responded to the climate change emergency by taking measures aimed at making Council operations carbon neutral by 2030
Demanded the highest design and environmental standards for all new developments in the borough	Targeted groups to improve their health and well-being through tailored integrated public services	Modern flexible business spaces supplying local job for local people and making Elmbridge a place to do business	Support the Surrey Health and Wellbeing Strategy to create a community with healthy lifestyles, promoting independent quality of life in older age and involvement in civic life as a means to strong mental health	A community that is adapting to changes in waste generation, transport, energy consumption and environmental impacts
Ensure new development in areas of deprivation provide positive improvements to the quality of life and environment of the residents	Be a Council that listens and responds with compassion, speed and professionalism ensuring your Council Tax is spent effectively	A well trained and agile workforce meeting the demand for digital skills and demonstrating high levels of agility and entrepreneurship	Provide more genuinely affordable housing, with homeless households accommodated within the borough	A Council that leads the way in promoting behaviour change and is an exemplar of environmental sustainability

Operational Models

The Council uses a number of operating models to transform its inputs into key services and outcomes. The main operating models are:

- the provision of services model – these services are provided at a net cost to the Council and must be provided under statute, such as Planning Services;
- the contribution to services model – some services within the Council contribute to other services and reduce the Council Tax requirement, these include off-street car parking and investment properties;
- the breakeven model – some services are required by statute to have no impact on the Council Tax, such as taxi licensing;
- the Building Control Mutualisation where Elmbridge Building Control Services Limited provides the Council's building control services and in which the Council owns a 20% stake;
- the on-street car parking model – on-Street Car Parking is a function of SCC and the Council agree to operate the service on their behalf, realising synergies with the off-street parking service, the service has a zero-net cost to the Council; and
- the Joint Waste Partnership model – the Council partners with other Surrey Districts in order to realise efficiencies in providing the Waste Collection service.
- In order to increase the number of affordable housing units the Council Established two wholly owned companies, EBC Investments Ltd and EBC Homes Ltd.

Capital Strategy 2020 to 2040

The Capital Strategy demonstrates that the Council takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability in the long-term context.

The Capital Strategy draws together existing good practice within the Council into a single document and outlines limits on the use of capital receipts to approximately £750,000 per annum and not to exceed £2 million in any rolling three-year period. The guidance also states that the balance of capital receipts shall be not less than £5 million and held as a contingency against unforeseen capital expenditure.

The Capital Strategy analyses the demand for capital expenditure and the predicted availability of capital resources to identify the gap between demand and available resources to inform decision making.

The Capital Strategy is available on the Council's website.

Risks and Opportunities

Risks

The Council's Risk Management Strategy requires the Corporate Strategic Risk Register to be reviewed on an annual basis. The Register contains details of major identified risks, which could affect the Council's ability to achieve its priorities during the financial year. These include:

- A reduction in/elimination of grant funding from external bodies including Surrey County Council
- Adverse service planning conditions and/or significant loss of income resulting from changes in national economic conditions beyond the Council's control including the effects of welfare reforms, government and other external funding and other legislation and regulations including BREXIT.
- Services not delivered due to failure of major contractor.

- Failure to comply with statutory duties or other legal responsibilities including those arising from legislation resulting in claims being made against the Council and damage to reputation.

For more information on identified risks please see the Council's Strategic Risk Register.

Opportunities

The Council carefully monitors any future opportunities that may assist in delivering optimal outcomes and improve service provision. Significant future opportunities include:

- Work with the County Council and other Districts & Boroughs on the Local Government Reorganisation and devolution as outlined in the white paper.
- Purchasing land and property which facilitates regeneration and has the potential for residential development to meet the Councils priority to provide more Affordable Housing
- To further develop joint working and collaboration within Surrey, as part of the One Public Estates Programme.
- Pursuing a prevention agenda that focuses on empowering individuals and communities to engage in healthy behaviours to reduce their risk of developing chronic diseases, and so relieving pressures on public spending.
- Promoting independent living and reduce isolation.

Pandemic (Covid-19)

Principal issues that have affected service provision

The financial consequences of the current pandemic are especially severe for district councils. The financial impact is made up of increased or additional COVID response costs and impact of loss of income from fees, charges and rents.

The response to the Pandemic emergency by the Council has been rapid and effective. In the emergency phase the organisation moved quickly to meet the challenges by protecting our most vulnerable resident, while continuing the normal services provided by the Council.

The Meals on Wheels service was extended to include additional at-risk groups with Welfare Calls, and food parcels to those at risk and shielding.

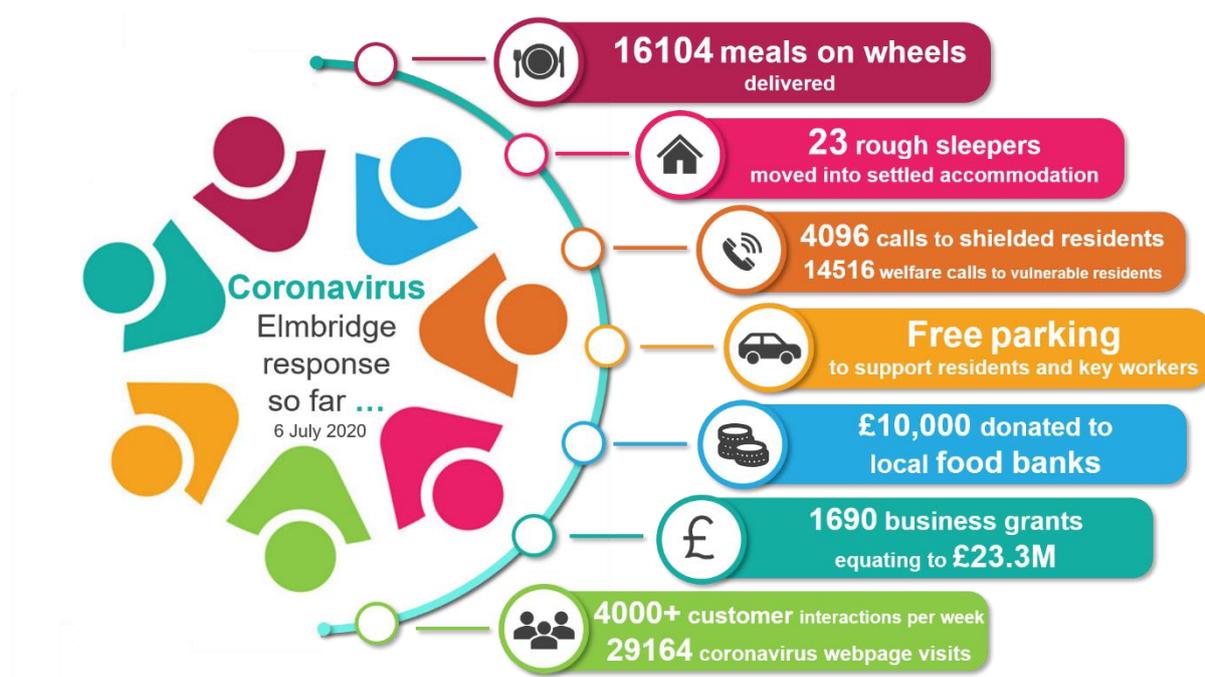
Additional accommodation provided for the homeless and rough sleepers

Maintaining core services including waste collection and grounds maintenance.

Maintaining processing speeds for new Benefit claimants.

Supporting business by paying a grant to eligible businesses, as well as reducing the bills by applying reliefs to eligible businesses in the Retail, Hospitality and Leisure sectors.

At the 6 July 2020 a summary of the councils response:



Changes to the council's workforce

The Council initiated its Business and Civil emergency plans which included plans for mass absence from the Councils premises. As a consequence, there was minimal disruption as a result to service delivery.

A team from across the Council was redeployed to focus on welfare activities.

A survey of staff was undertaken to assess their health and wellbeing, one of the questions related to how they felt about the working arrangements and the average score was 3.95, a score of 5 being very satisfied.

Sickness levels at the Council over the first three months have broadly seen an improvement compared to the same period last year and sickness related to Covid19 has had little impact on service delivery as a result.

Operation of its supply chains

The Council employs a number of contractors and suppliers, and as part of the selection process a Business Continuity plan is an essential component. All of the Councils supply chain have responded well to the pandemic, with only a minimal impact on service delivery, and in some cases an improvement on service standards. The one exception was the initial shortage of PPE, which was a countywide issue rather than a supply chain issue for the Council.

Reserves and Impact on the Councils Finances

At this stage there remains uncertainty over the medium-term impact of Covid on the Councils Finances, the level of government support being made to the Council.

The main issues identified include:

- Aiming to contain the additional costs of the Councils response to within the amount of government funding support.
- Forecasting reductions in the income raised by the Council over the medium term, on an ongoing impact on the Councils Finances.

Government support for the additional expenditure and the forgone income will be essential to the sustainability of the Council in the Short to Medium Term.

An updated Medium-Term Financial Strategy will be considered by the Council in September 2020 based on the current financial forecast and information from Central Government of proposed financial support.

Unless the government fully funds the Council for its income and expenditure for the year there will be no option for the Council except to use its reserves to balance 2020/21.

The usable reserves of the Council stand at approximately £26 million, however a number of these reserves are for specific requirement or are to meet statutory requirements. Continued reliance on reserves reduce the ability of the Council to maintain its Financial Health in the short to medium term and will have an impact on the Councils Medium Term Financial planning.

On the 10 June 2020 Cabinet considered an initial indication of the costs associated with the Councils response to Covid-19.

The Government had initially allocated £1.3 million to Elmbridge BC which may cover most of our additional costs relating to the response, in July 2020 the council received an additional £0.2 million towards those additional costs.

The projected loss of income in 2020/21, largely through loss of car parking income, rental income, planning and other fees, profit share etc. is a significant sum of £6.7 million, nearly half the income budget for the Council.

The government have indicated that they will provide financial support to the Council for a proportion of the lost income. The government has not released comprehensive details of the methodology which will be used in calculating the amount for the Council.

The budget for 2020/21 included savings and income proposals of £600,000. At this stage, given the impact of COVID-19 on the economy, businesses, service provision and officer capacity combined with the uncertainty over the length of the recovery period, it is estimated that 75% of these savings will be difficult to achieve in the current year.

Cash flow

The Council monitors its cash position on a daily basis and forecasts its position for the year. Given the uncertainty over the Council Tax and Business Rates collection as well as a reduction in income from fees and charges, and the requirement to still pay the Councils contractors, the government (business rates), Surrey and the Police elements of the Council Tax the Council arranged borrowed of £15 million on 15 July 2020. Based on the modelling at that time this protected the Councils cash position in the short term until there was more clarity from central government. The 6-month borrowing is in accordance with the councils

Treasury Management Strategy and the Audit and Standards Committee scrutinises the Councils Treasury Management activities on a regular basis.

In addition to the additional expenditure and income loss the Council paused the majority of its debt recovery activity:

- Allowing Council Taxpayers to make arrangements deferring payments.
- Did not take the April and May Direct debits for businesses and making deferral arrangements.
- Paused overpayment and debt recovery.
- Did not charge for car parking.

Recovery Plans

The Cabinet meeting on the 8 July considered the outline recovery plans for the authority, the main activities include:

- The council will review its Council Plan to see if any revisions are needed or objectives that can or will no longer be achieved or required.
- Review the current position of the main contractors and any short-term implications as well as any longer-term impacts.
- Review current position with smaller contractors.
- Review position of any current procurement projects that are planned or underway and re-assess timescales and risks, assess the impact of any delays to ongoing or planned projects for procurement. Review if these procurement projects are still needed.
- Assessing the status of the local economy. Supporting the recovery of the High Street and Business / Industrial Parks.

The welfare of our residents will be an important part of the recovery plan with plans developed to:

- An exit strategy and individual move-on plans for those households placed in temporary accommodation.
- Manage the anticipated increase in homelessness.
- Long term welfare requirements to sustain the Elmbridge welfare.
- Continue welfare calls, for the shielded group.
- In the coming weeks there may be a requirement for Councils to have some role in the tracking process particularly mindful of functions such as review and identification through food and safety requirements, but we would only be responding if there was a requirement to do so.

From a Financial Perspective the following are key to the 2020/21 financial year:

- Continue to monitor the additional costs of the response with an aim to contain within government funding envelope (c £1.5m)
- Establish the ongoing cost and forecast for 2020/21.
- Identify new / additional costs such as social distancing for EBC properties
- Establish forecast reductions in income streams with service areas for 2020/21 and initial forecasts for 2021/22.
- Identify the non-essential spend envelope, focussing on discretionary services.
- Establish capacity and reprioritise Capital Programme.

Risks

There continues to be a risk of a second spike of Covid-19 and the potential Service and Financial impact this would have on the Council.

There is still a considerable level of uncertainty regarding the total value of government support to the Council, however unless the government fully funds the additional costs and the loss of income, the Council will need to balance its 2020/21 position by the use of reserves. This may reduce the amount of available reserves by a considerable value and affect the Council's financial health, and ability to provide service in the medium term.

The Council's Capital programme includes the utilisation of Capital resources to fund the expenditure, a review of the Capital programme is underway, and it is likely that the 2020/21 programme will slip. The quantum of available capital funding is unlikely to be significantly affected, but the ability to deliver the programme in the timescale anticipated in February 2020 will be unachievable and it may take several years for the Council to complete its current capital plans, should they be still required.

The Council is incurring significant additional costs in delivering its emergency response to the Covid-19 emergency and will continue to do for the foreseeable future. It is difficult to project a final value as this will largely be determined by the length of the on-going lock-down and the extent of the residual measures that are left in place when the lock-down is eventually lifted. It is currently assumed that these additional costs will be met in from the additional funding that is being made available by the Government. There is a real risk however, that government funding (and the reallocation of existing Council budgets) will not prove sufficient to fully cover the Council's additional costs, depending on the recovery period and Council's ongoing responsibilities in respect of homelessness and support to the vulnerable. In this event, it would be necessary to access the Council's uncommitted reserves and contingencies or take alternative remedial actions. The financial position around the Council's response to the Covid-19 emergency is being closely and regularly monitored. MHCLG has issued a financial template to all Councils to collect their net additional cost of dealing with Covid-19 and projected loss of income due to this crisis. It is expected that the funding package announced by Government recently is likely to mitigate up to 50% of our income losses, with the Council having to use reserves and savings to mitigate the balance.



Elmbridge
Borough Council
... bridging the communities ...

Statement of Accounts Year Ended 31 March 2020



Contents

Page No.

Statement of Responsibilities	2
Independent Auditor's Report to Members of Elmbridge Borough Council	3
Core Financial Statements	
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement (CIES)	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Core Financial Statements	11
Collection Fund Income and Expenditure Account	69
Notes to the Collection Fund Income and Expenditure Account	70
Glossary of Terms	72
Abbreviations	75
Annual Governance Statement	77

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the S151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Approved by Council

The Audited Statement of Accounts will be approved at a meeting of the Audit & Standards Committee on 23 November 2020.

Councillor Coomes
Chair of Audit & Standards Committee
24 November 2020

Responsibilities of S151 Officer as Chief Financial Officer

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The S151 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2020 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2015.

Sarah Selvanathan
Strategic Director & Deputy Chief Executive (S 151 Officer).
Date Issued: 24 November 2020 (audited version)

Independent auditor's report to the members of Elmbridge Borough Council

Report on the Audit of the Financial Statements

Independent auditor's report to the members of Elmbridge Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elmbridge Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Collection Fund Statement and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director and Deputy Chief Executive and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Strategic Director and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Strategic Director and Deputy Chief Executive's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and pension fund pooled property and private equity investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings, investment properties and the Authority's share of the pension fund's property investments and private equity investments as at 31 March 2020. As disclosed in note 5 to the financial statements, the Covid-19 Global Pandemic impacted market activity in many sectors. Valuers faced an unprecedented set of circumstances on which to base a judgement for the year end valuations, especially in relation to investment properties, to inform opinions of value and values at 31 March 2020 and therefore reported on the basis of material valuation uncertainty. The actuary has disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments held within the pension fund's assets. Our opinion is not modified in respect of this matter.

Other information

The Strategic Director and Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Director and Deputy Chief Executive and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 2, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director and Deputy Chief Executive. The Strategic Director and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director and Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director and Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit & Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Elmbridge Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

27 November 2020

Movement in Reserves Statement

2018/19	General Fund Reserve £'000	Earmarked Revenue Reserves £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2018 carried forward	4,000	32,442	36,442	20,499	14,690	71,631	78,231	149,862
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	748	(2,188)	(1,440)			(1,440)	(1,423)	(2,863)
Adjustments between accounting basis and funding basis under regulation (Note 7)	(748)		(748)	(49)	2,829	2,032	(2,032)	-
Increase (Decrease) in 2018/19	-	(2,188)	(2,188)	(49)	2,829	592	(3,455)	(2,863)
Balance at 31 March 2019 carried forward	4,000	30,254	34,254	20,450	17,519	72,223	74,776	146,999

2019/20	General Fund Reserve £'000	Earmarked Revenue Reserves £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2019 carried forward	4,000	30,254	34,254	20,450	17,519	72,223	74,776	146,999
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	(9,452)	4,760	(4,692)			(4,692)	14,467	9,775
Adjustments between accounting basis and funding basis under regulation (Note 7)	9,452	-	9,452	(2,622)	1,014	7,844	(7,844)	
Increase (Decrease) in 2019/20	-	4,760	4,760	(2,622)	1,014	3,152	6,623	9,775
Balance at 31 March 2020 carried forward	4,000	35,014	39,014	17,828	18,533	75,375	81,399	156,774

The movement in reserves statement shows the position at the 31 March 2020 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in Earmarked Reserves is found in Note 8 to the Statement of Accounts.

Comprehensive Income and Expenditure Statement (CIES)

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure	N o t e	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
Service Expenditure						
449	100	349		489	96	393
3,011	23	2,988		2,698	36	2,662
7,849	1,423	6,426		7,401	1,546	5,855
2,671	4,478	(1,807)		4,575	4,392	183
46,569	42,752	3,817		44,112	38,291	5,821
7,770	1,374	6,396		7,320	1,094	6,226
677	363	314		652	318	334
3,532	1,637	1,895		3,745	2,434	1,311
5,596	1,697	3,899		5,666	1,669	3,997
6,601	4,885	1,716		7,339	10,269	(2,930)
84,725	58,732	25,993		83,997	60,145	23,852
41		41	9	52	1	51
-	881	(881)			390	(390)
7,223	7,489	(266)	10	11,220	7,742	3,478
16,111	39,558	(23,447)	11	24,265	46,564	(22,299)
108,100	106,660	1,440		119,534	114,842	4,692
		(3,874)	24.2			(6,906)
		5,297	40.2			(7,561)
		1,423				(14,467)
		2,863				(9,775)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council transferred its housing stock to the Elmbridge Housing Trust in 2000. The agreement between the Council and the Elmbridge Housing Trust required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2019/20 £315,000, after taking account of the cost of sales, was due to be paid to the Council. The Council also receives receipts in relation to staircasing, where the tenant wishes to increase their proportion of ownership of a property. In 2019/20 £75,000 was received in relation to staircasing. The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Capital Receipts Reserve.

Balance Sheet as at 31 March 2020

2018/19 £'000		Notes	2019/20 £'000
110,133	Property Plant & Equipment	12	113,578
1,424	Heritage Assets	13	1,424
91,862	Investment Properties	14	88,486
1,083	Intangible Assets	15	918
24,145	Long Term Investments	16	7,236
1,140	Long Term Debtors		1,146
229,787	Long Term Assets		212,788
31,201	Short Term Investments	16	55,242
50	Inventories		58
11,023	Short Term Debtors	18	7,943
21,356	Cash and Cash Equivalents	19	25,769
63,630	Current Assets		89,012
(19,929)	Short Term Creditors	21.1	(23,835)
(1,103)	Short Term Loans	21.2	(1,113)
(21,032)	Current Liabilities		(24,948)
(67,486)	Net Liability Arising from the Defined Benefit Obligation	40	(63,031)
(2,097)	Provisions	39	(2,357)
(55,803)	Long Term Borrowing	43.2	(54,690)
(125,386)	Long Term Liabilities		(120,078)
146,999	Net Assets		156,774
72,223	Useable Reserves	23	75,375
74,776	Unusable Reserves	24	81,399
146,999	Total Reserves		156,774

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory or other limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

2018/19		Notes	2019/20
£'000			£'000
1,440	Net (surplus) / deficit on the provision of services		4,690
(8,205)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25.1	(26,799)
8,754	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25.2	6,725
1,989	Net cash flows from operating Activities		(15,384)
4,602	Investing Activities	26	8,728
(16,050)	Financing Activities	27	2,243
(9,459)	Net (increase) / decrease in cash and cash equivalents		(4,413)
(11,897)	Cash and cash equivalents at the beginning of the reporting period		(21,356)
(21,356)	Cash and cash equivalents at the end of the reporting period	19	(25,769)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The increase in the cash and cash equivalents arises principally from a rise in holdings of cash equivalent investments at 31 March 2020, compared with the previous year.

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which Regulations require to be prepared in accordance with proper accounting practices. These regulations were further amended by The Accounts and Audit (coronavirus) Amendment Regulations 2020 (SI 2020/404) extending the deadlines for the accounts to be issued to the 31 August and the publication of the Audited Accounts to the 30 November. These practices, under Section 21 of 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a specified period, no more than one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council cannot raise Council Tax to fund depreciation, revaluations, impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudential basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluations, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between them.

1.6 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis, to the appropriate service segment line in the CIES, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve constructed using the constituents of the iBoxx AA corporate bond index. This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the service segments; net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities to the extent not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income]

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Community Infrastructure Levy (CIL)

The Council has elected to charge a CIL. The Levy is charged on new builds with appropriate planning consent. This Council charges for and collects the levy, a planning charge. The Council raises and collects the levy and the income from this planning charge is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions and is recognised in the CIES.

Any unallocated CIL at the end of the financial year is held as an earmarked revenue reserve. When CIL Grants are awarded, depending on the nature of the expenditure it is awarded for, the funds are moved to the appropriate classification on the Council's Balance Sheet e.g. Capital Grants Unapplied, Creditors or Receipts in Advance.

1.12 Heritage Assets & Memorials

Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. The Authority's heritage assets are accounted for in accordance with the nature of the asset and the relevant accounting policy.

Memorials

The Council is responsible for a number of memorials in the Borough. These memorials, while having significant value to the community, have no resale value and are not used for any operational purpose. The memorials are reflected in the balance sheet at replacement cost and are not depreciated on the basis they have indeterminate lives and are fully maintained.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the website is capitalised because the website is not solely or primarily intended to promote or advertise the Council's goods or services, as it also includes facilities for web-based payments.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts. However, in August 2015 the Council established a mutual for the Building Control Service in which it owns 20% of the share equity with the balance being owned by the employees of the mutual.

Interest in Companies and Other entities

The authority has a material interest (100% owned) in EBC Investments Ltd that have the nature of a subsidiary, it may require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The company became operational in January 2019 and the first accounting year ends on 31 March 2020, the nature and value of the transactions from January 2019 to 31 March 2019 are not material.

1.15 Inventories and Long-Term Contracts

Inventories are valued at the latest price paid, with an appropriate allowance made for obsolescent and slow-moving items. This is a departure from the requirements of The Code of Practice on Local Authority Accounting, which require stocks to be shown at the lower of cost or net realisable value, if lower. The effect of the difference in treatment is not material.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES)

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. For accounting purposes, the Council has a de-minimis level of £10,000.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets– depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued according to the following revaluation programme. This is considered to be sufficiently regularly to ensure that the carrying amounts are not materially different from the fair values at the year-end:

- Annually – Civic Centre / Car Parks / Xcel Leisure Centre / Sports Hub.
- Every 3 years – Walton Town Centre / Cemetery Houses / Albermarle House
- Every 5 years – All other asset groups.

Asset revaluations are phased to ensure that at least 70% of the total asset value is revalued every year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- other buildings, plant, furniture and equipment and infrastructure – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets;
- vehicles – reducing balance - a percentage of the value of each vehicle, as advised by a suitably qualified officer; and

Where an item of property, plant and equipment asset has major components whose values are significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. It is then carried at the lower of this amount and fair value less costs to sell. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating expenditure in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

From 1 April 2013 the Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for reserves set out above. CIL charges will be largely used to fund capital expenditure. However, they may also be used to fund revenue expenditure. Once a decision has been made on how the funds will be allocated the revenue reserve is transferred to the appropriate part of the balance sheet (Capital Grants, Short Term Creditors or Earmarked Reserves).

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.23 Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.24 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the value techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

2. Exceptional Item

There are no exceptional items for 2019/20.

3. Accounting Standards that have been issued but have not yet been adopted

Changes to accounting standards which may subsequently apply to the 2019/20 financial year and that are relevant to the Council's statements of accounts are:

- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle*
- *Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement*

Based on the position at 31 March 2020 there would be no material impact on the Council's 2019/20 accounts and estimating the future impact would be impracticable.

4. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to lose facilities and reduce levels of service provision.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

On the 11 March 2020 the World Health Organisation declared COVID-19 a "Global Pandemic" with market activity being impacted in many sectors. Valuers were faced with an unprecedented set of circumstances on which to base a judgement for the year end valuations, especially in relation to investment properties and considered they could attach less weight to previous market evidence for comparison purposes, to inform opinions of value and values at 31 March 2020 are therefore reported on the basis of 'material valuation uncertainty' as per the prevailing RICS guidance to valuers in accordance with the Red Book.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The periodic revaluation of Land and Building assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £174,000 for every year that useful lives had to be reduced.</p> <p>Of the total value of the Councils Operational Land & Buildings £83,695,000 was revalued at 1 April 19 and Investment Properties totalling £88,486,000 at 31 March 2020.</p> <p>These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount.</p>
Investment Properties	The effect of Covid-19 on investment property values as at 31 March 2020.	<p>Movements in value are charged to the CI&E account but are reversed out under regulation and held in unusable reserves and have no impact on taxation or usable resources. Without undertaking another valuation exercise at a real cost to the taxpayer it is not possible to estimate the amount of any difference.</p>

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The actuary has disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments held within the pension fund's assets. However, the valuations represent the best estimate at the current time.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £13million. However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £8million. Similarly, a 0.5% increase in the salary rate or in the pension increase rate would increase the liability by £12million and £13million respectively.</p>
Impairment Losses on Debtors	<p>Estimation of the impairment losses on debtors from all debtors.</p>	<p>The effect of Covid-19 on both individuals and business to pay debts is uncertain, an additional allowance has been included in the impairment losses. If the allowance for impairments changes by 10% the cost would be an additional £0.9million. At 31 March 2020 the carrying value of the bad debt provision was £2,629,000.</p>
Provision for Appeals Business Rates	<p>Estimation of the likelihood of successful appeals against the valuations calculated by the Valuation Office</p>	<p>The effect of a 1% (currently an allowance of 2% of the rateable value) change in the assumption for appeals against the 2017 valuations would result in a £1.9 million change in the provision, of which Elmbridge's provision would change by £0.7million.</p>

Covid-19

The global pandemic that began in early 2020, and the subsequent lock down of the United Kingdom in March 2020 has increased the uncertainty associated with the figures included in the 2019/20 accounts.

The accounts have been issued based on the information available at the time of being issued in July 2020. In particular the following items are considered to represent significant risks in the current economic climate of the pandemic in the statement of accounts:

Valuations are based on the position of the valuation at the required date, however the impact on the future valuations and the valuations in an active market may impact on the overall valuations.

The level of Debtors and the associated loss on impairments (bad debts) will be unknown over the short to medium term as the impacts of the pandemic unwind across the economy.

The valuations of assets, including property, and long-term liabilities on the pension fund may be impacted by the pandemic, and reinsurance will be required from the Pension Fund on the values included.

In addition to the impact of the pandemic there are several changes in legislation required in relation to the pension fund, to rectify discrimination in the current scheme. We do not believe the impact of these changes will have a material impact on the 2019/20 position, based on the information available at this time.

An overview of the impact on the Councils Financial position and its response to the pandemic can be found in the Narrative to the Statement of Accounts.

6. Events after the Reporting Period

The issued Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 27 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2018/19	Usable Reserves			Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments to Revenue Resources				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(3,008)			3,008
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	1,088			(1,088)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	733		(7,226)	6,493
Adjustments between Revenue and Capital Resources				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	881	(881)		-
Statutory provision for the repayment of debt (transfer from the CAA)	1,239			(1,239)
Capital Expenditure financed from revenue balances (transfer to the CAA)	1,886			(1,886)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,062		(1,062)
Application of capital grants to finance capital expenditure	1,269		4,397	(5,666)
Cash payments in relation to deferred capital receipts		(132)		132
Other				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	201			(201)
Revenue expenditure funded from capital under Statute	(2,191)			2,191
Movements in the market value of Investment Properties	(1,350)			1,350
Total Adjustments	748	49	(2,829)	2,032

2019/20	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments to Revenue Resources				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(3,106)			3,106
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	852			(852)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(1,606)		(5,079)	6,685
Adjustments between Revenue and Capital Resources				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	390	(390)		-
Statutory provision for the repayment of debt (transfer from the CAA)	1,407			(1,407)
Capital Expenditure financed from revenue balances (transfer to the CAA)	761			(761)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		3,186		(3,186)
Application of capital grants to finance capital expenditure	1,023		4,065	(5,088)
Cash payments in relation to deferred capital receipts		(174)		174
Other				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	180			(180)
Revenue expenditure funded from capital under Statute	(4,196)			4,196
Movements in the market value of Investment Properties	(5,157)			5,157
Total Adjustments	(9,452)	2,622	(1,014)	7,844

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2020/21.

	Note	Balance at	Transfers In	Transfers Out	Balance at	Transfers In	Transfers Out	Balance at
		31 March 2018			31 March 2019			31 March 2020
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Contingency & Rent Risk Reserve	a	1,575	-	-	1,575	-	-	1,575
Strategic Reserve (LABGI)	b	1,101	-	(400)	701	-	-	701
Corporate Restructure - Initiatives	c	698	-	(279)	419	-	-	419
Capital Expenditure and Repairs & Maintenance	d	929	100	(267)	762	100	(244)	618
Investment Properties - Maintenance (Sinking Fund)	e	-	200	-	200	200	-	400
Performance Reward (LPSA)	f	269	-	(22)	247	-	(64)	183
Grant Equalisation Reserve	g	1,157	-	(157)	1,000	-	(157)	843
Interest Equalisation	h	416	162	-	578	175	-	753
Approved Carry Forward Requests	i	672	420	(430)	662	470	(420)	712
Car parking Maintenance	j	290	150	(102)	338	150	(55)	433
New Homes Bonus Reserve	k	763	157	(118)	802	366	(165)	1,003
New Homes Bonus Reserve - Enabling Fund	l	536	105	(143)	498	113	(8)	603
Elmbridge Civic Improvement Fund	m	178	400	(142)	436	-	(69)	367
Community Safety	n	411	-	(26)	385	-	(56)	329
Miscellaneous	o	733	132	(44)	821	63	(27)	857
Housing Reforms	p	831	204	(150)	885	12	(295)	602
Planning Delivery Grant	q	129	-	(26)	103	-	-	103
Property Acquisition Reserve	r	978	427	-	1,405	366	-	1,771
Business Rate Equalisation Reserve	s	5,480	1,232	(600)	6,112	244	(320)	6,036
Business Rate Pilot Infrastructure Feasibility studies	t	-	400	-	400	-	-	400
Planning Related Receipts (S106, SANGS and Tariffs)	u	2,620	65	(300)	2,385	450	(4)	2,831
Land Charges	v	307	-	(44)	263	-	(67)	196
Insurance	w	232	-	-	232	-	-	232
Total Earmarked Revenue Reserves (Excluding CIL)		20,305	4,154	(3,250)	21,209	2,709	(1,951)	21,967
Community Infrastructure Levy (CIL)	x	6,447	1,563	(1,940)	6,070	4,541	(3,845)	6,766
Community Infrastructure Levy (Strategic Infrastructure and Maintenance Projects)	y	5,690	1,404	(4,119)	2,975	3,916	(610)	6,281
Total Earmarked Revenue Reserves (Including CIL)		32,442	7,121	(9,309)	30,254	11,166	(6,406)	35,014

Notes to Earmarked Reserves

Note	
a	To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS.
b	Fund received for growth in Business Rates used to reinvest in business related improvements.
c	To meet staffing costs arising from Council reorganisations or restructures.
d	Revenue sums held to finance capital expenditure and to deal with emergency repairs and maintenance and dilapidation costs to council owned property.
e	A reserve established to provide for maintenance on the Councils Investment Properties, from the property rental income.
f	Local Public Service Agreement funds used to fund projects of a one-off nature.
g	Established to mitigate the effect of the time limited funding from central government.
h	Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns.
i	To finance items included of a one-off nature where budget provision has been made, but the expenditure will be incurred in the following financial year.
j	Established by allocating 5% of the income stream from "Off-Street" car parking to provide funding for the ongoing maintenance of the Council's car parks.
k	A reserve established from New Homes Bonus funding, received to provide incentives and rewards for Councils and Communities to build homes in their area.
l	Funds set aside from New Homes Bonus to assist with the provision of affordable housing.
m	Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement of local businesses and regeneration of the borough.
n	Funds provided by the Home Office and held in respect of Crime and Disorder initiatives.
o	Miscellaneous funds principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Community and the ongoing maintenance of graves.
p	Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform.
q	From a planning delivery grant to assist with the delivery of the Planning function. Fully committed for future years one off expenditure.
r	To use in the purchase of Investment Property Assets to provide increased revenue rental streams. Funding for the year was transferred from the New Homes Bonus Reserve.
s	Net surplus arising from the Business Rates Retention Scheme retained by the Council to offset any future deficits attributable to the Council.
t	To fund infrastructure feasibility studies as a result of the agreement for the Council being a member of the Business Rate Surrey Pilot.
u	Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement.
v	Established for Land Charges surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements.
w	Held in respect of future payments required for self-insurance / premium excess payments.
x	Community Infrastructure Receipts held to meet future infrastructure requirements as outlined in the Community Infrastructure Levy Regulations and subsequent amendments.
y	Community Infrastructure Receipts earmarked for Strategic Infrastructure and Maintenance Projects

9. Other Operating Expenditure

2018/19	2019/20
£'000	£'000
(Gains)/losses on the disposal of non-current - assets	2
41 Other	49
41 Total	51

10. Financing and Investment Income and Expenditure

2018/19	2019/20
£'000	£'000
1,285 Interest payable and similar charges	1,367
1,550 Net interest on the net defined benefit liability	1,641
(1,064) Interest receivable and similar income	(1,157)
(2,037) Income and expenditure in relation to investment properties and changes in their fair value	1,627
(266) Total	3,478

11. Taxation and Non-Specific Grant Income and Expenditure

2018/19	2019/20		
Net Income	Gross Expenditure	Gross Income	Net Income
£'000	£'000	£'000	£'000
(13,857) Council Tax income		(14,396)	(14,396)
(4,400) Non Domestic Rates	24,265	(26,509)	(2,244)
(2,221) Non-ringfenced government grants		(2,991)	(2,991)
(2,969) Capital grants and contributions		(2,668)	(2,668)
(23,447) Total	24,265	(46,564)	(22,299)

It is a requirement to account for the Council's proportion of income and expenditure in relation to the Business Rate Retention Scheme. The Council was a member of a pilot in 2018/19 for a proposed new system of allocating Business Rates, as a result the Council will gain £1.6 million which, because of the complexities of the Business Rates Retention Scheme, will only become available to use in 2020/21. The Council was not a member of a pilot in 2019/20. See the Collection Fund Income and Expenditure Account for more information on both Business Rates and Council Tax income.

12. Property, Plant and Equipment

The table analyses the movements on property, plant and equipment by asset class.

Movements in 2018/19	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2018	96,960	13,598	576	479	5,143	441	117,197
Additions	2,318	1,105	317			225	3,965
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,436	-	-	-	-	-	2,436
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,629)	-	-	-	-	-	(1,629)
Derecognition - disposals	-	(136)	-	-	-	-	(136)
Assets reclassified (to)/from Held for Sale/Investment Properties	1,500	-	-	-	-	-	1,500
Other movements in cost or valuation	1,200	103	-	-	(1,158)	(145)	-
At 31 March 2019	102,785	14,670	893	479	3,985	521	123,333
Accumulated Depreciation and Impairment							
At 1 April 2018	(3,773)	(5,832)	(441)	(61)	(83)	-	(10,190)
Depreciation charge	(2,546)	(1,924)	(3)	(10)	(94)	-	(4,577)
Depreciation written out to the Revaluation Reserve	1,438	-	-	-	-	-	1,438
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	(7)	-	-	-	-	(7)
Derecognition - disposals	-	136	-	-	-	-	136
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2019	(4,881)	(7,627)	(444)	(71)	(177)	-	(13,200)
Net Book Value							
At 31 March 2019	97,904	7,043	449	408	3,808	521	110,133
At 31 March 2018	93,187	7,766	135	418	5,060	441	107,007

Movements in 2019/20	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2019	102,785	14,670	893	479	3,985	521	123,333
Additions	1,603	615	-	-	-	721	2,939
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,536	-	-	-	-	-	4,536
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,297)	-	-	-	-	-	(2,297)
Derecognition - disposals	(572)	(231)	-	-	-	-	(803)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2020	106,055	15,054	893	479	3,985	1,242	127,708
Accumulated Depreciation and Impairment							
At 1 April 2019	(4,881)	(7,627)	(444)	(71)	(177)	-	(13,200)
Depreciation charge	(2,326)	(1,652)	(23)	(5)	(95)	-	(4,101)
Depreciation written out to the Revaluation Reserve	2,370	-	-	-	-	-	2,370
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	570	231	-	-	-	-	801
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2020	(4,267)	(9,048)	(467)	(76)	(272)	-	(14,130)
Net Book Value							
At 31 March 2020	101,788	6,006	426	403	3,713	1,242	113,578
At 31 March 2019	97,904	7,043	449	408	3,808	521	110,133

Revaluation and Depreciation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – straight line, 1 to 60 years.
- Vehicles – reducing balance, 33% or 55% of carrying amount.
- Plant, Furniture and Equipment – straight line, 5 to 50 years.

In 2019/20 the following groups of properties were re-valued and/or the remaining useful lives assigned to them were changed:

RICS Registered Valuer	Asset Group	Change to useful Life in years
Stuart La Frenais MRICS for and on behalf of Elmbridge Borough Council	Car Parks	No Change
Laurence Unwin MRICS and Jonathan Rhodes MRICS for and on behalf of G L Hearn	Xcel Leisure Centre Sports Hub Civic Centre Mill Road Depot	No Change Change in analysis of components resulting in overall net increase in asset life of around 10 years No Change No Change
Anthony Nichola AssocRICS and Paul Watling MRICS for and on behalf of G L Hearn	Pavilions	Of the 25 pavilions 3 reduced and 14 increased resulting in an average increase from 33 to 41 years
Paul Watling MRICS and James Smith MRICS for and on behalf of G L Hearn	Investment Properties	N/A - Not depreciated

These changes have had the overall financial effect of reducing the total annual depreciation for other land and buildings however, by regulation depreciation has no effect on taxation.

The following table breaks down the property, plant and equipment portfolio valuation over the years in which the valuations were made:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	2,344	15,054	893	402	-	1,242	19,935
Valued at fair value as at:							
31 March 2020	83,695	-	-	-	-	-	83,695
31 March 2019	3,364	-	-	-	-	-	3,364
31 March 2018	8,964	-	-	-	2,213	-	11,177
31 March 2017	2,481	-	-	77	1,772	-	4,330
31 March 2016	5,207	-	-	-	-	-	5,207
Total Cost or Valuation	106,055	15,054	893	479	3,985	1,242	127,708

13. Heritage Assets

There has been no revaluation, impairment or disposal of Heritage Assets during either 2019/20 or 2018/19. The assets held at the 31 March are categorised as shown below:

2018/19 £'000	2019/20 £'000
816 War Memorials	816
520 Museum Artefacts & Civic Regalia	520
64 Heritage Marker	64
24 Xcel Art	24
1,424 Total Heritage Assets	1,424

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. The increase in income is due to full year rentals from the additional properties purchased during 2018/19 net of in year voids and debt write offs relating to other existing properties. The increase in expenditure is due to the increased costs of void properties, including Business Rates and increased management costs due to the increased number of properties owned by the Council.

2018/19		2019/20
£'000		£'000
3,893	Rental income from investment property	4,137
(507)	Direct operating expenses arising from investment property	(607)
3,386	Net gain	3,530

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no material contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All the Councils investment properties fair value measurements are based on other significant observable inputs. The Office Units and Commercial properties are measured using the investment method of valuation, assessing the passing rent and market rent by comparison to other transactions, and capitalising the income stream at an appropriate yield to reflect the key investment characteristics of the property. Due to Covid-19 the following caveat has been included by the Council's external valuers in all the valuations undertaken as at 31 March 2020.

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per the prevailing RICS guidance to valuers in accordance with the Red Book. Consequently, less certainty and a higher degree of caution should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuations set out in our report under frequent review."

The following table summarises the movement in the fair value of investment properties over the year:

2018/19 £'000	2019/20 £'000
76,515 Balance at start of the year	91,862
Additions:	
18,197 Purchases	1,781
(1,350) Net gains (losses) from fair value adjustments	(5,157)
Transfers:	
(1,500) (To)/from Property, Plant and Equipment	-
- (To)/from Surplus Assets Awaiting Disposal	-
91,862 Balance at end of the year	88,486

The investment property portfolio consists of £18.7 million of Office Buildings, £57.1 million of Industrial/Retail Premises (Commercial), £7.4 million of Residential and £5.3 million of other sites.

15. Intangible Assets

The Council accounts for its software as intangible assets. All software is attributed a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £283,364 charged to revenue in 2019/20 was charged to the Information Systems Service and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement of Intangible Asset balances during the year is as follows:

2018/19 £'000	2019/20 £'000
Balance at start of year:	
3,834 Gross carrying amounts	3,928
(2,566) Accumulated amortisation	(2,845)
1,268 Net carrying amount at start of year	1,083
Additions:	
94 Purchases	119
- Other disposals	-
(279) Amortisation for the period	(284)
- Other charges	-
1,083 Net carrying amount at end of year	918
Comprising:	
3,928 Gross carrying amounts	4,047
(2,845) Accumulated amortisation	(3,129)
1,083	918

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

2018/19			2019/20	
Non-current £'000	Current £'000		Non-current £'000	Current £'000
		Financial assets at amortised cost		
23,995	31,201	Investments *	7,236	55,242
1,071	29,350	Debtors ^	1,146	30,388
25,066	60,551	Total financial assets	8,382	85,630
		Financial liabilities at amortised cost		
55,803	1,103	Borrowing	54,690	1,113
-	10,061	Creditors	-	14,049
55,803	11,164	Total financial liabilities	54,690	15,162

* Figures for investments include interest accrued but not yet received

^ Analysis of the cash & cash equivalent financial instrument balances included within Debtors, appears at Note 19.

Income, Expense, Gains and Losses

2018/19				2019/20		
Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Total £'000		Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Total £'000
1,061	-	1,061	Interest expense	1,367	-	1,367
-	(4)	(4)	Impairment losses	-	749	749
1,061	(4)	1,057	Total expense in Surplus or Deficit on the Provision of Services	1,367	749	2,116
-	(1,062)	(1,062)	Interest income	-	(1,175)	(1,175)
-	(1,062)	(1,062)	Total income in Surplus or Deficit on the Provision of Services	-	(1,175)	(1,175)
1,061	(1,066)	(5)	Net (gain)/loss for the year	1,367	(426)	941

Fair Value of Assets and Liabilities

Financial assets and liabilities represented by investments, non-current debtors and creditors are carried in the Balance Sheet at amortised cost. The authority has no assets or liabilities designated at 'Fair value through profit or loss' or 'Fair value through other comprehensive income'. Their fair values are assessed on the basis of other significant observable inputs (Level 2 in the fair value hierarchy) by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest at 31 March 2020 of 1.94% to 2.64% applies to loans from PWLB, and 0.00% to 0.78% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are calculated as follows – note the authority holds no Level 1 or Level 3 financial instruments:

2018/19			2019/20			
Carrying amount	Fair value	of which: Level 2	Financial liabilities at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
10,061	10,061	10,061	Current liabilities	15,162	15,162	15,162
55,803	58,790	58,790	Non-current liabilities	54,690	55,235	55,235

The fair value of non-current liabilities is higher than the carrying amount because the rate payable on the Council's PWLB loans is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

2018/19			2019/20			
Carrying amount	Fair value	of which: Level 2	Financial assets at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
60,551	60,551	60,551	Current assets	85,630	85,630	85,630
25,066	25,306	25,306	Non-current assets	8,382	8,515	8,515

The fair value of the non-current assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2020) attributable to the commitment to receive interest above current market rates.

Current debtors and creditors are carried at cost, as this is a fair approximation of their value.

17. Construction Contracts

At 31 March 2019 and at 31 March 2020 the Authority had no material construction contracts.

18. Short Term Debtors

2018/19 £'000	Transfer of CIL Debtors from Trade to Other £'000	Restated 2018/19 £'000		2019/20 £'000
5,303	(4,957)	346	Trade Receivables	890
1,543		1,543	Council Tax and Business Rates	703
397		397	Prepayments	399
3,780	4,957	8,737	Other receivable amounts	5,951
11,023	-	11,023		7,943

The main reasons for the decrease in short term debtors, relates to other receivable amounts, from Central Government for the 2019/20 Housing Benefit Subsidy claim (£1.9 million) and an increase in the provisions for impairments (£0.6 million). In 2018/19 the debtors in relation to the Community Infrastructure Levy (CIL) and S106 agreement, were classified as Trade Receivables instead of other receivable amounts. No service is provided, and the figure for 2018/19 has been restated.

18.1 Debtors for Local Taxation

2018/19 £'000		2019/2020 £'000
	Debtors	
398	Less than a year	529
184	More than a year	295
582		824
1,239	Government Debtor	309
(278)	Impairments	(430)
1,543		703

19. Cash and Cash Equivalents

The cash and cash equivalent is made up of the following amounts:

2018/19 £'000		2019/20 £'000
1	Cash held by the Authority	1
5,307	Bank current accounts	7,623
16,048	Short-term deposits with banks and building societies	18,145
21,356	Total Cash and Cash Equivalents	25,769

Short term deposits with banks and building societies have less than one month to maturity.

20. Assets held for sale

As at the 31 March 2020 the Council held no assets for sale. As at the 31 March 2019 the Council held no assets for sale.

21 Creditors

21.1 Short Term Creditors

2018/19 £'000		2019/20 £'000
(4,797)	Trade Payables	(6,243)
(3,174)	Other Payables	(3,269)
(8,923)	Council Tax and Business Rates	(9,092)
(3,035)	Receipts in advance	(5,231)
(19,929)		(23,835)

21.2 Short Term Loans

In 2012/13 the Council borrowed £3,500,000 from PWLB over 25 years on an Equal Instalment of Principal (EIP) basis, in 2016/17 an additional £5,000,000 and £3,000,000 was borrowed on an EIP basis over 25 and 20 years respectively. During 2017/18 a further £4,000,000 and £5,000,000 was borrowed on an Annuity basis over 10 and 40 years respectively. During 2018/19 £15,800,000 was borrowed for 50 years on an Annuity basis. The short-term loan of £1,113,440 at 31 March 2020 is the element of the principal repayment required on these loans in 2020/21 (£1,102,656 at 31 March 2019). In addition, the Council has outstanding PWLB loans of £23,000,000 payable at maturity.

22 Impairments

The Council has provided for a provision for the non-payment of debt owed to the Council, also referred to as Impairments, see note 18 for an analysis, by the debtor type and the net amount owed after impairment.

23. Usable Reserves

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council Taxpayers. Such funds are not held for any specific purpose but are available to assist with the management of financial risks and to deal with any emergencies that might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 8.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment.
- Capital Grants Unapplied (Note 33) holds the balance of grants received where the conditions of grant entitlement have not yet been met. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the CIES as entitlement allows.

The position at 31 March for each category of Usable Reserve is as follows:

2018/19	2019/20
£'000	£'000
4,000 General Fund	4,000
30,254 Earmarked Reserves (Including CIL)	35,014
20,450 Capital Receipts Reserve	17,828
17,519 Capital Grants Unapplied	18,533
72,223 Total Usable Reserves	75,375

The main reason for the increase in Earmarked Reserves is related to CIL which is awaiting distribution to infrastructure related bids.

24. Unusable Reserves

24.1 Analysis of Unusable Reserves

2018/19	2019/20
£'000	£'000
52,712 Revaluation Reserve	58,554
87,893 Capital Adjustment Account	83,361
(67,486) Pensions Reserve	(63,031)
1,140 Deferred Capital Receipts Reserve	1,146
517 Collection Fund Adjustment Account	1,369
74,776 Total Unusable Reserves	81,399

24.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2018/19	2019/20
£'000	£'000
49,904 Balance at 1 April	52,712
5,070 Upward revaluation of assets	21,892
(1,196) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,986)
3,874 Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	6,906
(1,066) Difference between fair value depreciation and historical cost depreciation	(1,062)
- Accumulated gains on assets sold or scrapped	(2)
(1,066) Amount written off to the Capital Adjustment Account	(1,064)
52,712 Balance at 31 March	58,554

24.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £'000	2019/20 £'000
87,008 Balance at 1 April	87,893
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(4,584) Charges for depreciation and impairment of non current assets	(4,101)
(1,629) Revaluation losses on Property, Plant and Equipment	(2,297)
(279) Amortisation of intangible assets	(284)
(2,191) Revenue expenditure funded from capital under statute	(4,196)
(1) Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3)
78,324	77,012
1,066 Adjusting amounts written out of the Revaluation Reserve	1,064
79,390 Net written out amount of the cost of non-current assets consumed in the year	78,076
Capital financing applied in the year:	
1,062 Use of the Capital Receipts Reserve to finance new capital expenditure	3,186
1,269 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,023
4,397 Application of grants to capital financing from the Capital Grants Unapplied Account	4,065
1,239 Statutory provision for the financing of capital investment charged against the General Fund	1,407
1,886 Capital expenditure charged against the General Fund Balance	761
9,853	10,442
(1,350) Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,157)
- Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
87,893 Balance at 31 March	83,361

24.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19	2019/20
£'000	£'000
(59,181) Balance at 1 April	(67,486)
(5,297) Remeasurement of the net defined benefit liability	7,561
(6,222) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,366)
3,214 Employer's pensions contributions and direct payments to pensioners payable in the year	3,260
(67,486) Balance at 31 March	(63,031)

24.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2018/19	2019/20
£'000	£'000
1,071 Balance at 1 April	1,140
201 Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	180
(132) Transfer to the Capital Receipts Reserve upon receipt of cash	(174)
1,140 Balance at 31 March	1,146

During 2019/20 the Council provided Catalyst Housing Limited with £175,000 (£179,140 in 2018/19 to provide mortgages to purchase property from the private sector. These funds are secured by a charge against the property and will be repaid to the Council when the loan is redeemed with Catalyst Housing Limited. During 2019/20, 4 loans were repaid with decreases in value of 5.0% and 1.9% for loans issued in 2011/12 and 2017/18 respectively and increases in value of 8.5% and 1.2% for loans issued in 2013/14 and 2014/15 respectively. An increase of 0.5% has been applied to outstanding loans, resulting in an increase in value of £5,363 which has been credited as part of the gain on disposal to the CIES.

24.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the CIES as it falls due from Council Taxpayers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19	2019/20
£'000	£'000
(571) Balance at 1 April	517
1,088 Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements*	852
517 Balance at 31 March	1,369

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000	2019/20 £'000
(1,258) Interest received	(562)
972 Interest paid	1,369
(286) Net cash (inflow)/outflow	807

25.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2018/19 £'000	2019/20 £'000
(4,577) Depreciation	(4,102)
(1,636) Impairment and downward revaluations	(2,297)
(279) Amortisation	(284)
(236) Impairment - provision for bad debts	(467)
1,492 Creditors	(4,765)
1,404 Debtors	(2,173)
22 Inventories	8
(3,008) Pensions liability	(3,106)
- Carrying amount of non-current assets sold	-
(1,387) Other non-cash items charged	(9,613)
(8,205) Adjustments for non-cash movements	(26,799)

25.2 Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2018/19 £'000	2019/20 £'000
- Proceeds from sale of property, plant & equipment, investment properties & intangibles	1
259 Proceeds from sale of former council houses	622
- Proceeds from non-sale transactions	-
8,495 Capital grants receivable	6,102
8,754 Adjustments for items which are investing and financing activities	6,725

26. Cash Flow Statement – Investing Activities

2018/19		2019/20
£'000		£'000
22,448	Purchase of property, plant and equipment, investment property and intangible assets	4,559
-	- Purchase of short and long-term investments	7,000
2,392	Other payments for investing activities	4,376
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1)
(11,866)	Proceeds from short-term and long-term investments	-
(8,372)	Other receipts from investing activities	(7,206)
4,602	Net cash outflow from investing activities	8,728

27. Cash Flow Statement – Financing Activities

2018/19		2019/20
£'000		£'000
(15,800)	Cash receipts of short and long-term borrowing	-
(1,190)	Other receipts from financing activities	-
940	Repayments of short- and long-term borrowing	1,103
-	- Other payments for financing activities	1,140
(16,050)	Net cash (inflow)/outflow from financing activities	2,243

28. Expenditure and Funding Analysis and Note to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2018/19					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Development	338	0	338	11	349
Corporate Development	2,691	98	2,789	199	2,988
Environment	5,519	(88)	5,431	995	6,426
Highways and Transport	(2,385)	0	(2,385)	578	(1,807)
Housing	2,366	(116)	2,250	1,567	3,817
Leisure and Culture	5,405	76	5,481	915	6,396
Licensing	208	0	208	106	314
Resources	2,642	(2,174)	468	1,427	1,895
Social	3,062	31	3,093	806	3,899
Planning	2,902	(1,763)	1,139	577	1,716
Net Cost of Services	22,748	(3,936)	18,812	7,181	25,993
Other income and expenditure	(20,560)	3,936	(16,624)	(7,929)	(24,553)
(Surplus) or Deficit	2,188	0	2,188	(748)	1,440
Opening General Fund Balance			32,442		
Surplus/(Deficit) on General Fund Balance in Year			(2,188)		
Closing General Fund Balance at 31 March 2019			30,254		

2019/20					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Development	308	54	362	31	393
Corporate Development	2,505	7	2,512	150	2,662
Environment	5,583	0	5,583	272	5,855
Highways and Transport	(1,160)	0	(1,160)	1,343	183
Housing	3,045	254	3,299	2,522	5,821
Leisure and Culture	5,490	0	5,490	736	6,226
Licensing	218	0	218	116	334
Resources	1,695	(734)	961	350	1,311
Social	3,292	(10)	3,282	715	3,997
Planning	2,224	(5,907)	(3,683)	753	(2,930)
Net Cost of Services	23,200	(6,336)	16,864	6,988	23,852
Other income and expenditure	(27,960)	6,336	(21,624)	2,464	(19,160)
(Surplus) or Deficit	(4,760)	0	(4,760)	9,452	4,692
Opening General Fund Balance			30,254		
Surplus/(Deficit) on General Fund Balance in Year			4,760		
Closing General Fund Balance at 31 March 2020			35,014		

The note to the Expenditure and Funding Analysis breaks down the adjustments into adjustments for capital purposes, pensions adjustments and other differences.

2018/19				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£'000	£'000	£'000	£'000
Community Development	8	(19)	-	(11)
Corporate Development	(131)	(68)	-	(199)
Environment	(796)	(199)	-	(995)
Highways and Transport	(495)	(83)	-	(578)
Housing	(1,326)	(442)	201	(1,567)
Leisure and Culture	(531)	(384)	-	(915)
Licensing	0	(106)	-	(106)
Resources	(749)	(678)	-	(1,427)
Social	(219)	(587)	-	(806)
Planning	1	(578)	-	(577)
Net Cost of Services	(4,238)	(3,144)	201	(7,181)
Other income and expenditure	6,706	136	1,087	7,929
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	2,468	(3,008)	1,288	748

2019/20				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£'000	£'000	£'000	£'000
Community Development	(6)	(25)	0	(31)
Corporate Development	(69)	(81)	0	(150)
Environment	(37)	(235)	0	(272)
Highways and Transport	(1,245)	(98)	0	(1,343)
Housing	(2,150)	(552)	180	(2,522)
Leisure and Culture	(313)	(423)	0	(736)
Licensing	0	(116)	0	(116)
Resources	(190)	(160)	0	(350)
Social	(5)	(710)	0	(715)
Planning	2	(755)	0	(753)
Net Cost of Services	(4,013)	(3,155)	180	(6,988)
Other income and expenditure	(3,366)	50	852	(2,464)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,379)	(3,105)	1,032	(9,452)

Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed by type

2018/19		2019/20
£'000		£'000
19,673	Employees and Associated Costs	19,800
10,033	Depreciation and Impairment of Fixed Assets	16,035
5,873	Interest and Investment Expenses	6,063
40,406	Housing Benefit Payments	36,149
16,111	Business Rates Tariff	24,262
16,004	Other Service Expenses	17,225
108,100	Total Expenditure	119,534
(13,877)	Fees and Charges	(14,128)
(39,589)	Reimbursement from Government for Housing Benefits	(35,005)
(2,967)	Community Infrastructure Levy	(8,457)
(8,370)	Other Grants and Contributions	(8,605)
(7,489)	Interest and Investment Income	(7,742)
(34,368)	Income from Council Tax and Non-Domestic Rates	(40,905)
(106,660)	Total Income	(114,842)
1,440	Deficit on Provision of Services	4,692

29. Agency Services

The Council provides on-street car parking management, highway grass-cutting and highway weed treatment services to Surrey County Council. The total net deficit of the work performed on an agency basis is £42,241 (2018/19 - £28,067).

30. Members' Allowances

Each Member of the Council receives a fixed (basic) allowance; in addition, a special responsibility allowance is paid to the Leader of the Council, Members of the Cabinet, the Chairmen and Vice Chairmen of committees, and to the leaders of political groups.

Payments to all Members of the Council in 2019/20 amounted to £349,329 of which £2,567 related to expenses (2018/19 - £331,355 of which £3,774 expenses).

The allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

31. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form, which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000 as detailed below. This sum includes benefits in respect of such items as car provision and allowances but does not include employer's pension contributions and electoral fees.

2018/19	Band	2019/20
9	£50,000 - £54,999	8
6	£55,000 - £59,999	9
4	£60,000 - £64,999	4
1	£65,000 - £69,999	2
-	£70,000 - £74,999	-
2	£75,000 - £79,999	1
7	£80,000 - £84,999	7
-	£85,000 - £89,999	1
1	£90,000 - £94,999	1
-	£95,000 - £99,999	-
1	£100,000 - £104,999	-
2	£105,000 - £109,999	1
-	£110,000 - £114,999	1
-	£115,000 - £119,999	-
1	£120,000 - £124,999	-
-	£125,000 - £129,999	1
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
1	£145,000 - £149,999	1

In addition, the regulations require a full breakdown of the remuneration of the following senior officers of the Council (these officers are included in the above table).

The cost of employee benefit expenses (excluding employer's superannuation and National insurance costs) for 2019/20 was £13.2 million (£13.3 million in 2018/19).

Disclosure of remuneration for senior employees

2019/20 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2019/20
Chief Executive (Head of Paid Service)	141,333.00	10,353.00	0.00	7,586.04	0.00		159,272.04	21,199.92	180,471.96
Strategic Director & Deputy Chief Executive (S151 Officer)	116,526.00	3,650.00	0.00	8,013.24	0.00	1,718.52	129,907.76	17,478.96	147,386.72
Strategic Director – Services	103,218.96	2,550.00	0.00	8,600.64	0.00		114,369.60	15,482.88	129,852.48
Head of Legal Services (Monitoring Officer)	76,385.04		0.00	7,132.20	0.00	2,063.45	85,580.69	11,457.72	97,038.41
	437,463.00	16,553.00	0.00	31,332.12	0.00	3,781.97	489,130.09	65,619.48	554,749.57

2018/19 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2018/19
Chief Executive (Head of Paid Service)	138,155.04	3,937.00	0.00	8,128.19	0.00	0.00	150,220.23	20,723.28	170,943.51
Strategic Director & Deputy Chief Executive (S151 Officer)	113,906.04	1,400.00	0.00	8,497.14	0.00	1,536.42	125,339.60	17,302.47	142,642.07
Strategic Director - Services	100,898.04	900.00	0.00	8,333.04	0.00	0.00	110,131.08	15,134.76	125,265.84
Head of Legal Services (Monitoring Officer)	74,667.96	0.00	0.00	6,909.98	0.00	1,876.06	83,454.00	11,448.09	94,902.09
	427,627.08	6,237.00	0.00	31,868.35	0.00	3,412.48	469,144.91	64,608.60	533,753.51

* Election fees for the Returning Officer are set by the Ministry of Justice

32. External Audit Costs

In 2019/20 Elmbridge Borough Council, incurred £75,187 in fees relating to external audit and inspection (£55,362 – 2018/19). The main reason for the increase is due to additional work required to be undertaken on the certification of the Housing Subsidy claim (£12,300) in addition there was an additional charge for the auditing of accounts as a result of additional work required in the year and an increase in professional standards (£7,500).

33. Grant Income

The Council credited the following grants and contributions to the CIES in 2019/20.

2018/19 £'000	2019/20 £'000
Credited to Taxation and Non Specific Grant Income	
(2,969) Capital Grants	(2,668)
(827) Contribution From Surrey Business Rate Pool	-
(19,683) EBC Proportion of total business rate collectable for the year	(24,976)
(18) Collection Fund Surplus Account	(24)
(13,839) Precept Collection Fund	(14,372)
(1,103) New Homes Bonus	(958)
(1,119) Other Grants	(2,033)
(39,558) Totals	(45,031)
Credited to Services	
(39,589) Housing Benefit Subsidy	(35,005)
(423) Flexible Homelessness Grant	(370)
(182) NDR Cost of Collection	(185)
(355) Other Grants	(428)
(40,549) Total	(35,988)

More details on the Council Tax and Non-Domestic Rates can be found in the Collection Fund Income and Expenditure Account statement. In 2018/19, the Council joined the "Surrey Business Rate Pilot". As a result, the Council is due £1.6 million, its share of the pooling gain, which is available to spend in 2019/20

34. Related Party Transactions

The Code of Practice for Local Authority Accounting requires the disclosure of any material transactions with related parties which are not disclosed elsewhere. Examples of related parties to an authority such as Elmbridge Borough Council would include central government, other local authorities and precepting bodies, joint ventures and joint venture partners, together with the Council's Members and Chief Officers.

Several Members are connected with local organisations, with whom the Council has dealings. Material transactions are either material to the Council or of materiality to the third party concerned: In addition, they need to be able to exercise control or a significant influence on either party.

2018/19		2019/20
£		£
23,120	Walton Charity	271,821
125,705	Walton, Weybridge & Hersham CAB	131,968
165,721	Elmbridge Building Control Services	98,270
80,970	Esher & District CAB	88,470
	- Grovelands School	40,270
29,520	Cobham Chatterbus	31,480
28,840	Voluntary Action Elmbridge	26,847
30,840	CHEER	26,840
20,757	Walton on Thames Community Arts Trust	20,000
45,893	King George's Hall Trust	16,869
50,076	Walton on Thames Trading Alliance	13,773
2,300	Rental Support Scheme	11,550
19,750	Thames Landscape Strategy	7,750
76,483	Hersham Youth Trust	7,095
4,000	The Counselling Partnership	7,000
315	Weybridge in Bloom	5,554
	- Hinchley Wood Residents Association	5,000
	- Weybridge Allotment Holders and Gardeners Association	5,000
6,900	Home Start Elmbridge	3,200
7,798	Chandlers Field School	3,196
8,315	Thames Ditton Foundation	554
100,000	St Lawrence CE Junior School (CIL)	-

Under the Council's corporate governance arrangements, Members are required to declare any interests, personal or prejudicial (or both) on agenda items before meetings of the Council including the Cabinet, committees and sub-committees commence, and any such declarations appear in the minutes.

The Council maintains a register of Members' and officers' interests, which is updated annually.

The appropriate analysis has been undertaken with regard to related party transactions for the year ended 31 March 2020, and the conclusion was reached that there were no other material transactions with related parties in that year, which are not disclosed elsewhere in this Statement of Accounts.

Building Control Mutual

On 1 August 2015, the Council established a Building Control mutual in which it owns 20%. The mutual is considered to be a going concern and the council will receive a share of profit in accordance with the transfer agreement.

Draft accounts indicate from 1 April 2019 to 31 March 2020 that the mutual made a loss of £1,000 (after tax), in 2018/19 it made a profit of £8,000 (after tax).

At 31 March 2020, the mutual had a net current liability of £572,257 (£489,313 – 31 March 2019) represented by negative shareholder funds of £572,257 (£489,313 – 31 March 2019).

Housing Company

During 2018/19 the Council established a wholly owned company 'EBC Investments', and a subsidiary, 'EBC Homes'. EBC Homes started trading on 7 January 2019, a loan for working capital purposes of £150,000 was made from the Council to EBC Homes, at a rate of 5%. At 31 March 2020 EBC Homes prepared its first accounts covering the 15-month trading period from January 2019 to 31 March 2020.

The unaudited accounts to the 31 March 2020 show:

Total Income from Rents £390,000

Cost of Sales £376,000

Other Costs £43,000

Annual Loss of £29,000

At the 31 March 2020 EBC Homes had Total Liabilities exceeding Assets of £29,000, representing the annual loss in the year.

7 Officers are Directors of EBC Investments or EBC Homes for no financial gain or reward.

EBC Homes has an independent non-executive director who receives £5,000 per annum.

Trust Funds

The Council administers two Trust Funds', the total value at 31 March 2020 is £64,158 (£71,754 – 31 March 2019), when it was also responsible for King George's Hall, but this responsibility is now administered by a formal committee.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below:

2018/19 £'000	2019/20 £'000
49,303	63,897
Opening Capital Financing Requirement	
Capital investment	
3,965	2,939
Property, Plant and Equipment	
18,197	1,781
Investment Properties	
94	119
Intangible Assets	
2,191	4,196
Revenue Expenditure Funded from Capital under Statute	
Sources of finance	
(1,062)	(3,186)
Capital Receipts	
(5,666)	(5,088)
Government Grants and Other Contributions	
Sums set aside from revenue:	
(1,886)	(761)
Direct revenue contributions	
(1,239)	(1,407)
MRP/loans fund principal	
63,897	62,490
Closing Capital Financing Requirement	
Explanation of movements in year	
14,594	(1,407)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	
14,594	(1,407)
Increase/(decrease) in Capital Financing Requirement	

36. Leases

The Council as Lessee

Finance Leases

The Council has no material finance leases.

The Council as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services such as sporting facilities; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Original 2018/19 £'000	Investment Properties 2018/19 £'000	Restated 2018/19 £'000		2019/20 £'000
745	(166)	579	Not later than one year	547
792	(317)	475	Later than one year and not later than five years	348
339	(12)	327	Later than five years	319
1,876	(495)	1,381		1,214

In 2018/19 a two leases relating to investment properties were included in 2018/19. The comparator has been restated to remove the investment properties. This note is a disclosure note only and has no financial impact on the Councils Financial position.

37. Impairment Losses

During both 2018/19 and 2019/20 the Council had no impairment losses.

Under regulation impairment losses have no effect on the Council Taxpayer.

38. Termination Benefits

The Council terminated one officers' contract in 2019/20, incurring £5,714 of liabilities (£346,362 in 2018/19 for 8 officers). No savings are estimated as a result of this termination (£125,000 per annum 2018/19). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees 2018/19	Termination Benefit	Number of Employees 2019/20
2	£0 - £20,000	1
3	£20,001 - £40,000	-
1	£40,001 - £60,000	-
1	£60,001 - £80,000	-
0	£80,001 - £100,000	-
0	£100,001 - £120,000	-
0	£120,001 - £140,000	-
1	£140,001 - £160,000	-

There were no outstanding payments relating to exit packages at 31 March 2020 (4 at 31 March 2019 for £146,600).

39. Provisions

	MMI	Business Rate Appeals	Total
	£'000	£'000	£'000
Balance at 1 April 2019	52	2,045	2,097
Additional provisions made	-	175	175
Amounts used	-	(343)	(343)
Unused amounts reversed	-	427	427
Balance at 31 March 2020	52	2,304	2,356

MMI

In 1991 the Council's Insurer Municipal Mutual Insurance (MMI) went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. The Council were informed that it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability, should there be an insolvent run off, was £389,000. A full provision was made during 2011/12 to cover the maximum liability until an actuarial review of the company is completed. The Council received an actuarial review in 2013 and based on the advice at this time only £150,000 was required to meet the Council's liability. During 2013/14, £59,000 was paid to MMI in respect of this provision; an additional £39,000 was paid in 2016/17. At this time the final settlement remains uncertain.

Business Rate Appeals

The provision represents the potential reduction in the amount of business rates as a result of alterations of Rateable Value from appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal, the Council will reimburse the property owner for any overpayment, backdated to the date of the original assessment.

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations were effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. The revaluations of all business property came into effect on 1 April 2017 together with a new process for reviewing rateable values.

In 2018/19 the Council was part of a 100% Pilot involving Surrey County Council and all Surrey Districts as a result of which, at the end of March 2019, the Council's proportion of the provision reduced to 30%; with 70% allocated to Surrey County Council.

The proportions will revert to a split of 40% (Elmbridge), 50% (Central Government) and 10% (Surrey County Council) in 2019/20 as the Council is not part of a Business Rates Pooling scheme.

40. Defined Benefit Pension Scheme

40.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded defined benefit final salary scheme (from 2014 this was based on career average), meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

The disclosures below reflect changes implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest and administration costs in relation to current service costs and administration costs directly related to the management of plan assets.

40.2 Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year; so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19 £'000		2019/20 £'000	£'000
	<u>Comprehensive Income and Expenditure Statement</u>		
	Cost of Services		
4,078	Current service cost	4,725	
587	Past service costs	-	
-	(Gain)/loss from settlements	-	4,725
	Financing and Investment Income and Expenditure		
1,557	Net interest expense		1,641
6,222	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services		6,366
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
	Actuarial gains and losses		
	Remeasurement of the net defined benefit liability comprising:		
(3,225)	• Return on plan assets (excluding the amount included in the net interest expense)	11,588	
-	• Actuarial (gains) and losses arising on changes in demographic assumptions	(3,786)	
8,536	• Actuarial (gains) and losses arising on changes in financial assumptions	(11,773)	
(14)	• Other	(3,590)	
5,297			(7,561)
11,519	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		(1,195)
	<u>Movement In Reserves Statement</u>		
(8,305)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code		4,455
3,214	Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme		3,260

40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

2018/19 £'000		2019/20 £'000
(165,057)	Present value of funded liabilities	(150,215)
(3,670)	Present value of unfunded liabilities	(3,223)
(168,727)	Present value funded and unfunded liabilities	(153,438)
101,241	Fair value of plan assets	90,407
(67,486)	Net liability arising from the defined benefit obligation	(63,031)

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2018/19 £'000	2019/20 £'000
96,795 Opening fair value of scheme assets	101,241
2,498 Interest income	2,415
Remeasurement gains / (loss):	
3,225 • Return on plan assets, excluding the amount included in the net interest expense	(11,588)
- • Other	-
3,214 Contributions from employer	2,998
742 Contributions from employees into the scheme	784
(5,233) Benefits paid	(5,443)
101,241 Closing balance at 31 March	90,407

Reconciliation of Present Value of the Scheme Liabilities

2018/19 £'000	2019/20 £'000
155,976 Opening balance at 1 April	168,727
4,078 Current service cost	4,725
587 Past service cost (including curtailments)	-
4,055 Interest cost	4,056
742 Contributions by scheme participants	784
Remeasurement gains / losses:	
- • Actuarial gains / (losses) arising from changes in demographic assumptions	(3,786)
8,536 • Actuarial gains / (losses) arising from changes in financial assumptions	(11,773)
(14) • Other	(3,590)
(5,233) Benefits paid	(5,705)
168,727 Closing balance at 31 March	153,438

Local Government Pension Scheme assets comprised:

Fair value of scheme assets	
2018/19	2019/20
£'000	£'000
3,448	3,079
Cash and cash equivalents	
Equity instruments by industry type:	
2,741	2,580
• Consumer	
1,759	1,925
• Manufacturing	
1,560	700
• Energy & utilities	
1,571	1,523
• Financial institutions	
1,341	1,557
• Health & care	
2,998	2,951
• Information technology	
267	51
• Other	
12,237	11,287
Sub-total equity	
Bonds by sector:	
-	-
• Corporate	
-	5,112
• Government	
-	-
• Other	
-	5,112
Sub-total bonds	
Property by type:	
4,802	4,525
• UK property	
1,757	1,986
• Overseas property	
6,559	6,511
Sub-total property	
6,001	7,233
Private equity *	
Other investment funds:	
55,494	47,571
• Equities	
16,911	10,523
• Bonds	
-	-
• Other	
72,405	58,094
Sub-total other investment funds	
Derivatives:	
-	-
• Interest Rate	
591	(909)
• Foreign exchange	
591	(909)
Sub-total derivatives	
101,241	90,407
Total assets	

* The private equity investments do not have quoted prices in active markets.

40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

2018/19		2019/20
	Long-term expected rate of return on assets in the scheme:	
2.9%	Equity investments	2.3%
2.9%	Bonds	2.3%
2.9%	Property	2.3%
2.9%	Cash	2.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners (years):	
22.5	• Men	22.1
24.6	• Women	24.3
	Longevity at 65 for future pensioners (years):	
24.1	• Men	22.9
26.4	• Women	25.7
2.5%	Pension Increase Rate (CPI)	1.9%
2.8%	Rate of increase in salaries	2.8%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with that adopted in the previous year.

Impact on the Defined Benefit Obligation in the Scheme		
	%	Increase in Assumption £'000
Longevity (increase of 1 year)	3-5	8,000
Rate of inflation (CPI increase by 0.5%)	8	11,932
Rate of increase in salaries (increase by 0.5%)	1	1,038
Rate of increase in pensions (increase by 0.5%)	8	11,932
Rate for discounting scheme liabilities (decrease by 0.5%)	9	13,066

The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Elmbridge's Balance Sheet shows a Pensions liability of £63 million. The main change in the accounting valuation of the fund compared to 31 March 2019 relates to a change in the financial and demographic assumptions reducing the deficit by £19 million offset by a loss on the expected return on assets of £12 million. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by the accounting standards, and future anticipated funding shows that the fund is approaching fully funded status over the next 19 years.

40.5 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. A valuation was carried out at 31 March 2019, the next triennial valuation is due to be completed as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The actuary anticipated the authority's expected contributions to the scheme in 2020/21 would be £6,562,000 based on the triennial actuarial review at 31 March 2019, (2019/20 - £2,927,000, based on the triennial review 2016).

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2019/20 (16 years in 2018/19).

Further information can be found within the Surrey County Council Superannuation Fund Annual Report, which is available upon request from Surrey County Council, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

41. Contingent Liabilities

As part of the large scale voluntary transfer agreement between the Council and the Elmbridge Housing Trust the Council provided an environmental warranty with an aggregate cap of £10 million for a period of 30 years. There was no local knowledge of serious problems in this regard, and after taking professional advice from the Council's specialist insurance consultant and considering the likely costs of a full survey and insurance cover, the Council decided not to effect insurance cover in respect of this risk. The warranty was subsequent to a full disclosure being made by the Council of all known environmental issues concerning the housing stock and related assets. No claims against the warranty have been made at the date of the issue of the accounts.

On 1 August 2015 the Council established a Building Control Mutual. As part of the agreement establishing the mutual the Council provided a guarantee in relation to the pension deficit at the date of the transfer. The liability will only materialise if the Mutual ceases to trade. The cost of the guarantee is approximately £0.7million.

42. Contingent Assets

There are no contingent assets.

43. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. Elmbridge Borough Council provides written principles for

overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition credit exposures to the Council's own customers. The Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum limits on the time period and amount that can be placed by investment category and institution. For further information please refer to Appendix B of the 2019/20 Treasury Management Strategy papers presented to 13 February 2019 Cabinet.

A summary of the credit quality of the Council's investments at 31 March 2020 is shown below:

2018/19 £'000	Fitch Rating	2019/20 £'000
-	AAA	-
-	AA+	-
40,800	AA	-
-	AA-	35,800
5,778	A+	7,334
-	A	10,000
4,000	A-	-
2,000	BBB+	5,000
4,000	BBB	3,000
20,150	n/a	26,150
76,728		87,284

The Council's loans receivable are all fixed term investments and hence classified at 'Amortised cost'. An expected credit loss model, applied to determine the estimated loss allowance that might be required from holdings of investments, has shown the amount to be immaterial.

Customer Debt - Credit exposures to customer debt are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In relation to its customers, the Council has a prudent provision for bad debts to cover cases of default. There are no debts posing a credit risk to the Council at the balance sheet date, which are not covered by the provision for bad debts.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £2.5 million of the £3.8 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2018/19 £'000		2019/20 £'000	%
737	Less than three months	588	24%
965	Three to six months	494	20%
477	Six months to one year	602	24%
763	More than one year	806	32%
2,942		2,490	100%

43.2 Liquidity Risk

The Council undertakes daily cash flow management to ensure that it has adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have sufficient funds to meet its liabilities as they become due.

At 31 March 2020, the Council has external borrowing with the Public Works Loan Board (PWLB) of £55,803,204 with a maturity analysis as follows:

2018/19 £'000		2019/20 £'000
	Short term loans	
1,103	Less than one year	1,113
1,103		1,113
	Long term loans	
1,113	Between one and two years	1,124
3,407	Between two and five years	3,442
9,286	Between five and fifteen years	10,455
41,997	More than fifteen years	39,669
55,803		54,690
56,906		55,803

The fair value of PWLB loans of £56.3 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, based on the authority's ability to borrow from PWLB at concessionary rates. The difference between the carrying amount and the fair value measures the increased interest (based on economic conditions at 31 March 2020) that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that which would be paid if the loans were at prevailing market rates.

The exit price for the PWLB loans, including the penalty charge, would be £85.8 million.

All trade and other payables are due to be paid in less than one year.

43.3 Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowing at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure.

However, changes in interest receivable on variable rate investments would be posted to Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the interest income generated on its surplus funds due to changes in market conditions; at the 31 March 2020 the balance on this reserve was £0.8 million.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an additional £894,000 being credited to the Surplus or Deficit on the Provision of Services.

43.4 Price Risk

The Council does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

43.5 Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rate.

Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2018/19				2019/20		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
			Note			
			Income			
-	120,006	120,006	Council tax receivable	2	-	126,285
63,431	-	63,431	Business rates receivable	3	64,287	-
2,080	-	2,080	Transitional protection receivable		839	-
65,511	120,006	185,517			65,126	126,285
						191,411
			Expenditure			
			Apportionment of previous year's surplus/(deficit)			
(614)	-	(614)	Central Government		(375)	-
(491)	176	(315)	Elmbridge Borough Council		(127)	54
(123)	1,104	981	Surrey County Council		328	353
-	186	186	Surrey Police & Crime Commissioner		-	59
(1,228)	1,466	238			(174)	466
			Precepts, demands & shares			
-	-	-	Central Government		31,800	-
19,200	13,839	33,039	Elmbridge Borough Council		25,427	14,372
44,753	90,519	135,272	Surrey County Council		6,357	94,071
-	15,173	15,173	Surrey Police & Crime Commissioner		-	16,864
63,953	119,531	183,484			63,584	125,307
			Charges to the Collection Fund:			188,891
97	174	271	Write-off of uncollectable amounts		285	135
233	100	333	Increase / (decrease) in bad debt provision		90	620
(245)	-	(245)	Amount Charged to Appeals Provision	4	(808)	-
(1,053)	-	(1,053)	Increase / (decrease) in appeals provision		(248)	-
182	-	182	Cost of Collection		185	-
(786)	274	(512)			(496)	755
						259
61,939	121,271	183,210			62,914	126,528
			(Surplus) / deficit arising in year			189,442
(3,572)	1,265	(2,307)			(2,212)	243
1,824	(1,323)	501	Balance at 1 April		(1,748)	(58)
			Balance at 31 March		(3,960)	185
(1,748)	(58)	(1,806)				(3,775)

Notes to the Collection Fund Income and Expenditure Account

1. Business Rates Retention Scheme

The method for distributing and accounting for Non-Domestic Rates changed on 1 April 2013 with the introduction of the Business Rates Retention Scheme.

The Council collects business rates in its area based on local rateable values multiplied by a uniform rate prescribed by Central Government. The scheme allows local authorities to benefit from supporting local business growth by retaining a proportion of increases in business rates retained income above a baseline funding level, to invest in local services, subject to a Central Government growth levy. Safety net arrangements have also been established to compensate those authorities where retained income falls below a certain threshold.

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2019/20 baseline funding level of £2.3 million (2018/19 £2.2 million). The baseline funding level rises each year in line with the change in the business rates multiplier.

In 2018/19 the Council joined with Surrey County Council and all of the other districts and boroughs in Surrey to become a "pilot" for a new scheme the government are exploring. This scheme allowed the pilot to keep all of the growth in business rates. The pilot then agreed to share the extra funds retained between them on the basis of 30% for the districts/boroughs and 70% for Surrey County Council. As a result of the pilot the Council gained an additional £1.6 million.

The Council did not participate in any Pooling arrangement during the 2019/20 financial year.

2. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2019/20 Council Tax charge for Band D properties of £1,941.52 within the Claygate Parish Area and £1,935.37 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under the local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government.

The Council Tax base for the year for the Elmbridge Borough Council area, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

The impact on the Council Taxbase as a consequence of Covid-19 is uncertain at this time. The award of additional discounts for Council Tax Support, has a direct impact on the Taxbase, an increase in Council Tax Support equivalent to 1 % of the Taxbase would reduce the amount collectable by approximately £1.3 million.

Band	Estimated No. of Taxable Properties After Effect of Discounts & Reliefs	Ratio	Band D Equivalent Dwellings
A	321	6/9	214
B	921	7/9	717
C	5,412	8/9	4,811
D	11,079	1	11,079
E	9,730	11/9	11,892
F	7,245	13/9	10,465
G	10,720	15/9	17,867
H	4,165	18/9	8,329
TOTAL	<u>49,593</u>		<u>65,374</u>
		Less: Adjustments *	(654)
		Council Tax Base	<u>64,720</u>

* An adjustment is made to reflect the estimated rate of collection of Council Tax for the year.

3. Business Rates Receivable

The total Non-Domestic Rateable Value for the Elmbridge area at 31 March 2020 was £161 million, and the National Non-Domestic Rates multiplier 50.4p for 2019/20.

4. Provision for Alteration of Lists and Appeals

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. These valuations came into effect from 1 April 2017, together with a new process for challenging rateable values. As a result, the provision was increased to reflect the risk associated with the uncertainty around the valuation and the appeal processes.

Experiential evidence during recent years has indicated a lower level of successful appeals than was initially anticipated. Accordingly, after £0.4 million net usage in-year, the provision has then been reduced by £0.6 million to £5.8 million as at end-March 2020.

Glossary of Terms

This glossary helps to define some of the terms and phrases found in these accounts.

Accounting Period

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2019 to 31 March 2020.

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

Actuarial Gains and Losses

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Appropriations

The transfer of resources between various revenue reserves.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

Budget Requirement

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services for more than one year.

Capital Financing Account

An account that is credited with the amounts set aside for the repayment of external debt and with capital expenditure paid for from revenue and capital receipts. The balance cannot be used to fund revenue or capital expenditure.

Capital Receipts

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

Cash Equivalents

Generally short term, highly liquid investments readily convertible into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.

Collection Fund

A fund administered by the Council as a “billing authority”. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Elmbridge Borough Council, Surrey Police, Claygate Parish as required by statute.

Collection Fund Adjustment Account

An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council’s element of the Collection Fund balance at the year end.

Creditors

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period with the actual payment being made in the next financial year.

Current Service Cost

The increase of the present value of a defined benefit scheme’s liabilities expected to arise from employee service in the accounting period.

Debtors

Amounts owed to the Council but unpaid at the Balance Sheet date.

Depreciation

The measure of the cost of the benefit of the fixed asset that have been consumed during the period.

Expected Rate of Return on Pensions Assets

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fees and Charges

The income raised by charging for goods, services or the use of facilities.

Fixed Asset

A tangible item that yields benefit to the Council for a period of more than one year.

Formula Grant

Central government financial support towards the general expenditure of local authorities.

General Fund

The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

Intangible Assets

Expenditure on assets, such as software, which are amortised over their expected life but there is no physical asset.

Interest Cost – Pension Scheme

The expected increase over the period in the present value of the pension scheme liabilities because the benefits are one period closer to settlement.

LABGI – Local Authority Business Growth Incentive Grant

A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

Leasing

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Minimum Revenue Provision

The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption.

Non-Domestic Rates

Rates from Non-Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

Precept

The amount that Surrey County Council, Surrey Police Authority, Elmbridge Borough Council and Claygate Parish Council require the Collection Fund to pay to meet the costs of their services after government grant.

Provisions

Amounts set aside to meet costs which are likely or certain to be incurred but are uncertain in value or timing.

Public Works Loans Board

A government body that provides loans to local authorities.

Reserves

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revenue Expenditure

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

Revenue Expenditure funded from Capital Resources Under Statute

Expenditure that can be classified as capital expenditure, but which does not result in the acquisition of an asset.

Specific Government Grants

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.

Abbreviations

ABG	Area Based Grants
BSc	Bachelor of Science
CAA	Capital Adjustment Account
CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CIL	Community Infrastructure Levy
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DRC	Depreciated Replacement Cost
ECIF	Elmbridge Civic Improvement Fund
EIP	Equal Instalments of Principal
EUV	Existing Use Value
FRS	Financial Reporting Standard
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee

LPSA	Local Public Service Agreement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non-Domestic Rates
PFI	Private Finance Initiative
PDG	Planning Delivery Grant
PPP	Public Private Partnership
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
SAC	Special Areas of Conservation
SANGS	Suitable Alternative Natural Green Space
SeRCOP	Service Reporting Code of Practice
SCC	Surrey County Council
SPA	Special Protection Areas
VAT	Value Added Tax
VFM	Value for Money
VOA	Valuation Office Agency



Elmbridge Borough Council

... bridging the communities ...

Annual Governance Statement 2019/20

For the period 1 April 2019 to 31 March 2020

1. Scope of Responsibility

Elmbridge Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards and public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- In discharging this overall responsibility, Elmbridge Borough Council is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- Elmbridge Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government” Framework 2016. A copy of the Council’s Code is on our website or can be obtained from:
Head of Legal Services
Elmbridge Borough Council
Civic Centre
High Street
Esher, KT10 9SD
- This statement explains how Elmbridge Borough Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Part 2 regulation 6(1) (b) and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which requires all relevant authorities to prepare an annual governance statement.

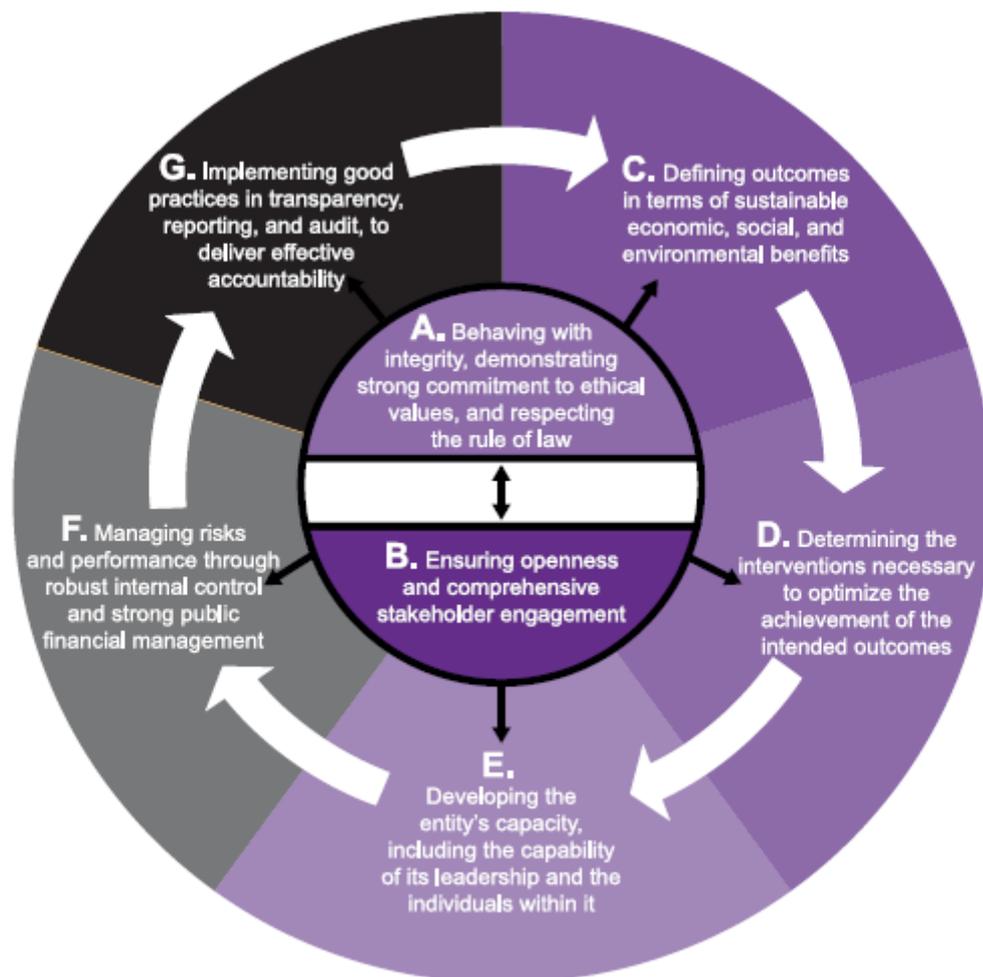
2. The Purpose of The Governance Framework

- The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and supports its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Elmbridge Borough Council’s objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- The governance framework has been in place at Elmbridge Borough Council for the year ended 31 March 2020 and up to the date of approval of the Annual Report and Statement of Accounts.

3. The Governance Framework

The seven core principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government” Framework 2016 are illustrated in the diagram below.



Some of the key elements of the governance framework that the Council has in place relating to these core principles are outlined below:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- The Council's Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, the Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged and the delegations extended to officers and Members.
- Codes of Conduct are in place for members and officers and are set out in the Council's Constitution.
- Induction for new members and staff on the standards of behaviour expected.
- Member/Officer Protocol and affirmation of relationship expectations is in place.
- Declarations of interests are made at Council Committee meetings and registers of interests and gifts and hospitality are in place.
- The effective discharge of the Monitoring Officer and Head of Paid service functions are assisted by regular meetings of the three statutory officers and with Members and by regular review of Constitutional powers.
- Whistleblowing arrangements are in place by means of a Confidential Reporting Policy to receive and investigate complaints from staff and members of the public.
- Anti-fraud and corruption incorporating anti-bribery and anti- money laundering policies in place.
- Regular staff performance reviews are in place.

B. Ensuring openness & comprehensive stakeholder engagement.

- There was widespread consultation involving key stakeholders including residents, partners and the third sector on the new Council Vision for 2018-2023. The Vision is set out in the Council Plan annually. Corporate performance reports are publicly available and are reported to public meetings.
- The Communications Plan and publication of the Council's Annual Report provide mechanisms for communicating with the community and other stakeholders and accountability for service delivery and outcomes.
- The "My Elmbridge" programme is in place to consult, engage and Inform residents about local services. The programme includes public meetings entitled "Your Voice Matters" at which the public can engage directly with the Leader of the Council and Cabinet members. An annual residents survey is carried out to ensure they are happy with the Council priorities and services.
- The Council website provides a key means of communication between the Council and the public in an open and transparent form that aims to provide for comprehensive stakeholder engagement.

- Transparency information is published on the website.
 - Records of decision making are in place.
 - Active use of social media and online tools to engage customers.
 - Council newsletter issued three times per year.
 - Freedom of Information performance is monitored by the Monitoring Officer and the Council Management Board.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- The Council Plan incorporates the Council Vision covering the five-year period from 2018-2023 and four priority areas. The Council reviews its vision and top priorities every five years.
 - The Council continues to provide support to local businesses through the Elmbridge Civic Improvement Fund. During 2019/20 ECIF grants were paid to a range of local businesses including start-up businesses and recently the Fund has also paid grants to businesses for social distancing measures in respect of COVID-19.
 - The Council has a robust Performance Management framework in place as illustrated below.



- The Council Vision set for 2018-2023 is supported by four top priorities determined by resident consultation and agreed by Members. The priorities are checked annually against residents' survey results.

- For 2019/20 the Vision and Top Priorities were as set out below:

Vision 2018-23

A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all.

Character & Environment

We will make Elmsbridge a sustainable and attractive place.

Quality Services

We will work in partnership to ensure services are efficient, effective and offer value for money.

Economic Development

We will facilitate economic growth, including improved infrastructure and housing.

Community Wellbeing

We will listen to all of our residents and support communities to become healthier, empowered and safe.

- The Council objectives are developed from the Vision and Top Priorities and are set out in the annual Council Plan.
- Council objectives for 2019/20 were undertaken to achieve the Council Vision. The objectives are grouped by the 2019/20 priorities and are linked to the Cabinet portfolios.
- Risk management strategy and policy in place.
- Corporate risk register monitored by the Council Management Board.
- During 2019/20 quarterly performance monitoring reports were presented to the Council Management Board, the Performance and Finance Panel and Cabinet against the 2019/20 Council objectives, top priorities and the basket of performance indicators.
- The final report on the Council's performance in 2019/20 against the Council Plan 2019/20 was submitted to Cabinet on 10 June 2020. This confirmed that 8 out of 15 Council Plan objectives (53%) were on target or completed as at 31 March 2020 and 27 (84%) performance indicators objectives were on or above target.

Council performance indicators met in 2019/2020 included:

- i) Performance indicator: Number of affordable homes delivered
 Outcome: 157 affordable homes delivered against a target of 100.
- ii) Performance indicator: Number of households in temporary accommodation
 Outcome: 56 against a target of 61 with a rise in March 2020
- iii) Performance indicator: Percentage of household waste sent for composting (Joint Waste Contract Service Objective Standard)
 Outcome: 32.1% against a target of 30%.

iv) Performance indicator: number of external customer complaints recorded about green spaces and verges
Outcome: 66 against a target of 120 (good to be low).

v) Performance indicator: Percentage of planning appeal decisions made in favour of the Council.
Outcome: 69 achieved against a target of 65.

vi) Performance indicator: Percentage of Council Tax collected - current year only
Outcome: 98.7% exceeds the target of 98.5%.

vii) Performance indicator: Percentage of Non-Domestic Rates collected – current year only
Outcome: 98.4% equals the target of 98.4%.

viii) Performance indicator: Days taken to process HB/CTB new claims.
Outcome: 8 exceeds the target of 14.

ix) Performance indicator: Number of passenger journeys undertaken on Dial a ride, Hire a Bus and the Community Cab scheme to optimise vehicle utilization
Outcome: 20,643 exceeds the target of 16,000.

Outcomes of other Council performance indicators in 2019/20 included:

i) Performance indicator: Number of households in temporary accommodation out of Borough
Outcome: 21 households against a target of 14 with rise due to Covid-19.

ii) Performance indicator: Missed bin collections per 100,000 (Joint Waste Contract Performance Standard)
Outcome: 172 against a target of 80. JWS will continue to work with Amey

D. Determining the interventions necessary to optimize the achievement of the intended outcomes.

- Medium Term Financial Strategy in place, reviewed and published annually.
- Service planning in place.
 - Feedback from citizens through an annual residents' panel survey that enables consultation to ensure a high standard of customer service is delivered and that they are happy with the Council priorities and services.
 - Feedback from residents and businesses through the annual Community Safety Survey that feeds into the development of the Elmbridge Community and Safety Partnership plans.

- Overview and Scrutiny Committee scrutinised Portfolio Holders, examined Council performance and future plans. The Overview and Scrutiny annual report was approved by Council in July 2020.
 - Regular meetings held between Council Management Board and Cabinet.
 - EBC Homes Ltd became further established during 2019/2020 to deliver an increase in the supply of affordable housing.
 - Performance Management framework contains Key Performance Indicators to measure performance of services.
 - Organisational development framework in place includes continuous performance reviews, one to ones and clear job descriptions.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- The Learning and Development Programme is established incorporating mandatory e-learning and comprising a wide range of training opportunities including Management training and regular Managers Conferences.
 - Regular staff development training in place.
 - Members development training programme in place.
 - An established and further refreshed Performance Review framework that incorporates an annual performance review for all staff.
 - Staff briefing sessions by Council Management Board held twice yearly.
 - Following an external Peer Review in June 2017 the Improvement Plan has been completed and the outcomes reported to the Council Management Board.
 - Compliance with CIPFA's guidance regarding the role of the Chief Financial Officer.
- F. Managing risks and performance through robust internal control and strong public financial management.
- The Council has a Risk Management Strategy and strategic and operational risk registers in place, which are reviewed regularly.
 - The Council's Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.
 - Regular meetings held with the Head of Paid Service, the Monitoring Officer and the Section 151 Officer.

- An annual Internal Audit Plan is approved by Audit and Standards committee. An Internal Audit Annual report and regular progress reports are presented to the Audit and Standards committee. In 2019/20 internal audit completed 13 audit reviews. Progress against management actions in audit reports monitored.
 - Data Protection Act 2018 requirements adhered to for managing data lead by the Data Protection Officer. No significant information security breaches occurred in 2019/20.
 - Implementation of the requirements of the General Data Protection Regulation in May 2018 monitored by the Information Governance Group during 2019/20 and reported to the Council Management Board. The IGG Action Table captures outstanding actions.
 - Treasury Management performance reports provided to Audit and Standards Committee.
- G. Implementing good practices in transparency, reporting, and audit, to deliver accountability.
- The Audit and Standards Committee has defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance.
 - The External Audit Annual report is submitted to the Audit and Standards Committee.
 - The Head of Internal Audit has direct access to the Chair of Audit and Standards Committee. Internal Audit completed 13 audit reviews in 2019/20.
 - Management has taken appropriate steps to address those areas where management actions have been raised and these have been followed up with relevant senior management. This will be reported to the Audit and Standards Committee in the Internal Audit Annual Report 2019/20 in July 2020.
 - Annual financial statements include a narrative summary on the Council's performance during the year as well as reporting the financial position.
 - The Audit and Standards Committee has direct access to both the Council's external auditors and the Head of Internal Audit.

4 Review of Effectiveness

Elmbridge Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- The work of the Council Management Board and senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
- The Council's risk management framework;

- the Audit and Standards Committee internal audit progress reports;
- comments made by the external auditors and other review agencies and inspectorates;
- The Head of Internal Audit Partnership’s Opinion Statement is taken from the Head of Internal Audit’s annual report that is reported to the Audit and Standards Committee in July.
- The Head of Internal Audit Partnership’s Opinion Statement:

“The overall opinion is that the Council’s internal control environment is adequate and effective. This is based on the work undertaken by Internal Audit during 2019/20, and summarised in this report.

Agreed management actions arising from Internal Audit work have been reported to senior management and the Council Management Board and I am satisfied that management has undertaken to address any control weaknesses.”

The effectiveness of the governance framework has been evaluated by:

- The completion of Annual Assurance Statements by all Heads of Service as at 31 March 2020. All statements were returned with no significant issues highlighted. Responses received regarding governance matters and management processes were noted and have been considered by the Council Management Board and Internal Audit. With regard to one area an audit review was in the process of being reported as at 31 March 2020 that contained relevant governance and control issues and the outcome is noted in further paragraphs below.
- An Internal Audit Corporate Governance assurance review.
- The Head of Legal Services testing the specific requirements of the Local Code of Corporate Governance against the behaviours, codes and protocols put in place by the Council and documented in the Constitution and elsewhere.
- The Head of Legal Services has confirmed that the Council’s Local Code of Corporate Governance is in place and accords with the principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government Framework” 2016.
- The key financial systems audited that feed into the Council’s financial statements have reasonable controls in place and have been given an “effective” assurance opinion during the year. Some audit reviews have been rolled forward due to the impact of Covid-19 in quarter 4 whereby unexpectedly due to those circumstances the Internal Audit Plan 2019/20 could not be completed during that period.

It should be noted that:

- One internal audit review in 2019/20 contains an assurance opinion in which major improvement is required in a number of key control areas. This is with regard to Community Support Services.

- The key control areas of Community Support Services that require major improvement are:
 - i) budgetary control
 - ii) recruitment and appointment of staff
 - iii) Disclosure & Barring Service (DBS) checks
 - iv) staff supervision and training
 - v) transport services and
 - vi) alcohol licensing.
- The outcome from the audit review contains an Action Plan that has been considered by the Council Management Board.

The Impact of the Coronavirus Upon Governance - March 2020

There were wide ranging governance implications for the Council following the declaration of the national Public Health emergency on 19 March 2020 with regard to the Covid-19 pandemic.

Decisions were required to be made swiftly in terms of the Council's emergency response that affected the entire range of the Council's functions due to government instructions for a national lockdown that was announced on 23 March 2020.

An emergency response was required by the Council in conjunction with external authorities in accordance with the implementation of the Council's Emergency Plan and the corporate Business Continuity Plan.

The Council Management Board and the Senior management team needed to make decisions that fundamentally affected the whole of the Council's business operations and all residents of the Borough, all members and all staff and volunteers. New service provision was needed quickly to meet government requirements, eg. payment of NNDR grants and benefits, a range of additional support to vulnerable residents across the Borough and housing assistance for homeless persons.

Key elements included:

Decision making – the Council acted swiftly to make new decision-making arrangements and to protect the functioning of the Council's business. The Council arranged for formal meetings to be held on a virtual basis from early May 2020 and these are continuing at the present time including the Cabinet meeting held on 10 June 2020.

Incident Management Team - this team led, controlled and co-ordinated the emergency response for the Council during the emergency response phase and decisions were made in a timely manner on a twice weekly basis.

At Cabinet on 10 June 2020 the Strategic Director & Deputy Chief Executive presented a report regarding the Council's emergency response and the associated financial implications. This described aptly the significant financial implications and financial challenges that are now before the Council and are for consideration next at full Council in July 2020 and in the forthcoming months ahead.

The recovery phase commenced in May 2020 and is led by the Strategic Director. The Council Management Board is updated weekly on the measures and plans being made in this regard.

Key elements of this phase include a requirement for comprehensive risk assessments to be carried out corporately by all managers for the purpose of ensuring the Council has assessed all risks to ensure that the Civic Centre is Covid-19 secure and before staff are allowed to return to work at the Civic Centre.

The recovery phase is ongoing at the present time and resources are being allocated and deployed in service areas as appropriate in accordance with the Council's plans to support residents and local businesses together with all members and staff in the appropriate manner.

Overall during this unprecedented emergency period, the Council has maintained a strong quality of service provision for the benefit of residents across the borough and has demonstrated sound management control and good governance throughout.

CIPFA published guidance regarding the implications and impact of the coronavirus for LAs in April 2020 and this has been taken into account in the above.

Conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in June 2016.

The Council's financial management and assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) for the year ended 31 March 2020.

The Chief Financial Officer of the Council is the Strategic Director & Deputy Chief Executive and is the Council's Section 151 Officer (from section 151, Local Government Act 1972).

Conformance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

CIPFA published the Code of Practice "Managing the Risk of Fraud and Corruption" in 2014. The Council has adopted an approach that is appropriate for its fraud & corruption risks and commits to maintain its vigilance to tackle fraud.

5. Outcomes, Value for Money and Improvements During the Year

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2018/19 in September 2019. This report contained an unqualified opinion on the 2018/19 financial statements and a Value for Money conclusion confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Council started the 2019/20 financial year in a good financial position.

The Local Government Association carried out a corporate Peer Review in June 2017 from which further improvements and actions were identified and were completed in 2018/19. An Improvement Plan was completed, and outcomes were reported to the Council Management Board in December 2018.

During 2019/20 improvements have been made to the Council's arrangements and matters identified in 2018/19 have been addressed as follows:-

- i) The Council's improvement was monitored on an ongoing basis by the Council Management Board and the work of corporate improvement groups continued across the Council in 2019/20 in this regard.
- ii) The Council has strengthened its arrangements with regard to the following:

Safeguarding:

- The Adult Safeguarding Policy and the Children's Safeguarding Policy remain established and embedded as part of the Council's safeguarding arrangements.
- Increased safeguarding training continued in 2019/20 and included training for Members and is planned to continue each year.

Business Continuity & Emergency Planning:

- The Council has refreshed and strengthened its business continuity and emergency planning arrangements. A revised Emergency Plan and Corporate Business Continuity Plan were approved during the year.
- A finalised Business Continuity Plan in respect of the Joint Waste Contract was received by Joint Waste Solutions.

Health and Safety:

- The Council's revised Health & Safety reporting arrangements became established and a range of policies and procedures were revised and approved.

Information Governance:

The Information Governance framework and arrangements were defined and strengthened by:

- Monitoring of requirements of the General Data Protection Regulation effective from 25 May 2018 undertaken by the Information Governance Group throughout the year.
- Improvements made to the incident reporting process and the Council Management Board continued to receive regular update reports regarding Information Governance matters.

Direction of Travel

The overall direction of travel by the Council is one of continuous improvement in key areas with governance matters addressed in a timely manner during 2019/20 as described above.

6. Governance and Assurance Summary

Good governance is about doing things properly. It is the means by which the Council demonstrates that it is taking decisions for the good of the people in Elmbridge in an open and equitable way. It recognises the standard of behaviour that supports good decision-making. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.

On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31 March 2020 and the corporate governance health check undertaken by Internal Audit, there is one matter that is of a significant governance nature in relation to an outcome where major improvement required in several areas was identified for 2019/20.

This matter concerns Community Support Services for 2019/20 arising from the Internal Audit report dated June 2020. Improvements are due to be made in the coming year and this will be followed up by Internal Audit in 2020/21.

The review of the Council's system of governance and internal control overall has not identified significant weaknesses other than the above.

Governance arrangements regarding the implications of Covid-19 and the Council's emergency response and recovery phase have been found to be robust to date. There are no significant governance issues to report in this regard.

This will be further reported upon in the Annual Governance Statement for 2020/21 in May 2021.

We confirm, to the best of our knowledge, that this statement provides an accurate and fair view of the Council's operations and governance framework.

We propose over the coming year to continue to further improve and enhance our governance arrangements. We will continue to monitor improvements and enhancements made as part of our next annual review.

Signatures:

Date:

24 November
2020

.....
Leader of the Council

Date:

24 November
2020

.....
Chief Executive

